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July 10, 2007

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
465 South King Street
Kekuanaoa Building, 1st Floor
Honolulu, Hawaii 96813

PUBLIC UTILITIES
COMMISSION

2007 JUL 10 P 4:09

FILED

Dear Commissioners:

Subject: Docket No. 2006-0387
MECO 2007 Test Year Rate Case – June 2007 Updates – Set #3

Enclosed is the third set of updates to Maui Electric Company, Limited's ("MECO") 2007 test year estimates reflected in the Application, Direct Testimonies, Exhibits and Workpapers filed with the Commission on February 23, 2007. This set includes updates to the following:

- MECO T-9 – Lyle J. Matsunaga

Very truly yours,

Dean K. Matsuura
Director, Regulatory Affairs

Enclosure

cc: Division of Consumer Advocacy
Sawvel & Associates, Inc.
Utilitech, Inc.

ADMINISTRATIVE AND GENERAL EXPENSES
TEST YEAR 2007
JUNE 2007 UPDATE

The test year 2007 estimates for A&G O&M were updated as of June 2007. The updated total A&G O&M expense for test year 2007 is \$13,881,900, comprised of \$12,855,100 for Maui, \$350,300 for Lanai, and \$676,500 for Molokai. The \$13,881,900 updated estimate is \$322,200 higher than the \$13,559,700 test year estimate filed with MECO's direct testimony. The \$322,200 increase is the result of adjustments which are shown on the updated MECO-901 (which is included as part of Attachment 1), including the listing beginning on page 23, and which are discussed as follows:

Ho'okina Program: This program has been terminated and the test year 2007 estimate for Account No. 920 has been decreased accordingly by \$36,900. See Note J.

DSM Employees: The test year 2007 estimates for Account Nos. 922 and 926.02, Administrative Expenses Transferred and Employee Benefits Expenses Transferred, were adjusted in connection with the reclassification of three DSM employees from recovery through the DSM component of the IRP surcharge to recovery through base rates. The addition to the test year estimate is described further by Ms. Sharon Suzuki in the June 2007 Update for MECO T-8. Please also see Note K and the updated exhibit MECO-907, and Note T and the updated exhibit MECO-914 for further details regarding adjustments to Account No. 922 and Account No. 926.02, respectively.

Administrative Expenses Transferred to Lanai and Molokai Divisions: Adjustment was made to the allocation of administrative expenses transferred to Lanai and Molokai divisions as a result of other adjustments described herein. The adjustment decreased the test year estimate for

Account No. 922.02 (i.e., increased the credit amount of transfer) by \$500. Offsetting adjustments were made to increase the allocations to Account Nos. 9302L and 9302M, Miscellaneous General expenses for Lanai and Molokai divisions, in the amounts of \$200 and \$300, respectively. There was no net change to overall A&G O&M expense as a result of these adjustments. See Note L.

Microsoft Enterprise Software: The test year 2007 estimate for Account No. 923.03 was increased by a net \$39,700 for two adjustments related to the estimated costs for Microsoft Enterprise software: (1) a budget adjustment to reduce the test year estimate by \$12,800 to reflect more current cost information; and (2) a \$52,500 adjustment to increase the test year estimate by reversing the normalization adjustment erroneously included for this item in the original direct testimony filing. See MECO T-9 response to CA-IR-3, Attachment A, page 2. Although the Microsoft Enterprise agreement is renewed every four years, the license payment required under the agreement is payable annually. An incorrect assumption about the frequency of payments was used in making the erroneous normalization adjustment in the original test year estimate. See also Note M.

State Workers' Compensation Special Fund Assessments: The test year 2007 estimate for Account No. 925.01 was decreased by \$17,100 to correct an error which was described in detail in MECO T-9, page 46, line 16. Please see Note N and the updated MECO-913.

Pension and OPEB: The test year 2007 estimate for Account No. 926 was adjusted for updated estimates for pension and OPEB expenses, before transfers to construction and others. See Note O for pension and Note P for OPEB. These adjustments are discussed further by Ms. Julie Price in the June 2007 update to MECO T-10.

Proposed Pension and OPEB Tracking Mechanisms: MECO proposes to update its pension estimates to reflect a pension tracking mechanism, similar to the pension tracking mechanism that was agreed to by HELCO and the Consumer Advocate in the HELCO 2006 test year rate case (Docket No. 05-0315) and approved by the Commission on an interim basis in Interim Decision and Order No. 23342 filed April 4, 2007. See Attachment 2 for a background and summary of the proposed pension tracking mechanism and Postretirement Benefits Other Than Pensions ("OPEB") tracking mechanism. See Attachment 3 for the Proposed Pension Tracking Mechanism. See Attachment 4 for the Proposed OPEB Tracking Mechanism.

See Attachment 5 for the June 2007 update to MECO-928, which shows the updated estimated pension asset balance as of December 31, 2007 (updated to reflect the revised net periodic pension costs addressed above and in the update to MECO T-10) and the estimated test year amortization amount of the pension asset balance. The test year 2007 estimate for Account No. 926 was increased by \$241,900 to include the estimated amortization of the pension asset balance as of December 31, 2007. Please also see Note Q.

See Attachment 6 for the June 2007 update to MECO-929, which shows the updated estimated OPEB balances. Note that the net of the OPEB balances does not impact the test year revenue requirements.

Human Resources Suites Software Development Cost Amortization: The test year 2007 estimate for Account No. 926 was reduced by \$3,300 to remove the amortization of deferred software development costs for this project, which has been delayed and now has an estimated

completion date beyond 2007. See Note R. Also, the unamortized system development costs shown on MECO-925 which were included in rate base in MECO's direct testimony have been removed from rate base as a result of the updated estimated completion date beyond 2007.

Employee Benefits Other than Pension and OPEB: The test year 2007 estimate for Account No. 926 was decreased by \$23,400. This adjustment is discussed further by Ms. Julie Price in the June 2007 update to MECO T-10. See Note S.

Employee Benefits Expenses Allocation to Lanai and Molokai Divisions: The adjustments to the test year 2007 estimate for Account No. 926 described above for pension, OPEB, pension tracking mechanism amortization and Human Resources Suites software development amortization costs (see Notes O, P, Q and R, respectively) were allocated to the Lanai and Molokai Divisions in the amounts of \$6,300 and \$9,700, respectively, in proportion to the respective employee counts for those divisions. See Note U.

Employee Benefits Transferred: The test year 2007 estimate for Account No. 926.02 was adjusted as a result of adjustments identified above to Account No. 926, Employee Benefits expense, before transfers. See Note V and the updated exhibit MECO-914 for further details.

Employee Benefits Transferred Allocation to Lanai and Molokai Divisions: The adjustment to the test year 2007 estimate for Account No. 926.02, Employee Benefits Transferred, described above (Note V) was allocated to the Lanai and Molokai Divisions in the amounts of \$100 and \$100, respectively, in proportion to the respective employee counts for those divisions. See Note W.

Regulatory Commission Expense: The test year estimate for Account No. 928, Regulatory Commission Expense, was increased by \$5,700 to update the amortization of costs for this

instant rate case proceeding. The \$5,700 increase in estimated amortization resulted from an increase in estimated costs for outside consultant services in connection with the Company's implementation of Act 162 requirements in its proposed rates. See Note Y and updated MECO-915.

EPRI Dues: The test year 2007 estimate for Account No. 9302 was decreased by \$7,200. For further details, please see Note X as well as both the originally filed direct testimony and updated MECO-919.

The adjustments identified above are reflected in the following updated exhibits included in Attachment 1 to this filing:

- MECO-901 2007 A&G expenses
- MECO-902 A&G expense comparison
- MECO-903 A&G expense comparison by division
- MECO-906 Administrative expenses transferred
- MECO-907 Administrative expenses transferred to construction
- MECO-908 Administrative expenses transferred to Lanai & Molokai divisions
- MECO-911 Outside services – associated companies
- MECO-913 Insurance premium, absorbed losses and safety expenses
- MECO-914 Employee benefits transfer
- MECO-915 Regulatory commission expenses
- MECO-916 Miscellaneous general expenses
- MECO-918 Research and development expense
- MECO-919 Research and development expense – EPRI dues

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
MAUI DIVISION

	<u>OPERATING BUDGET</u>		<u>BUDGET ADJ</u>	<u>RATE CASE ADJ</u>	<u>NORM ADJ</u>	<u>TEST YEAR ESTIMATE</u>	<u>JUNE ADJ</u>		<u>REVISED TEST YEAR ESTIMATE</u>
ADMINISTRATIVE									
920 ADMIN & GENL EXP - LABR									
LABOR	1,835.6					1,835.6			1,835.6
NON-LABOR	<u>681.1</u>			(339.8)		<u>341.3</u>	(36.9)	J	<u>304.4</u>
TOTAL 920	2,516.7		-	(339.8)	-	2,176.9	(36.9)		2,140.0
921 ADMIN & GENL EXP - NLABR									
LABOR	247.6					247.6			247.6
NON-LABOR	<u>657.8</u>			(8.1)	5.4	<u>655.1</u>			<u>655.1</u>
TOTAL 921	905.4		-	(8.1)	5.4	902.7	-		902.7
922 ADMIN EXP TRANSFERRED									
NON-LABOR	<u>(938.9)</u>	A	(280.1)			<u>(1,219.0)</u>	23.0	K,L	<u>(1,196.0)</u>
TOTAL 922	(938.9)		(280.1)	-	-	(1,219.0)	23.0		(1,196.0)
ADMINISTRATIVE - TOTAL									
LABOR	2,083.2		-	-	-	2,083.2	-		2,083.2
NON-LABOR	<u>400.0</u>		(280.1)	(347.9)	5.4	<u>(222.6)</u>	(13.9)		<u>(236.5)</u>
TOTAL	2,483.2		(280.1)	(347.9)	5.4	1,860.6	(13.9)		1,846.7

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
MAUI DIVISION

	OPERATING BUDGET		BUDGET ADJ	RATE CASE ADJ	NORM ADJ	TEST YEAR ESTIMATE	JUNE ADJ		REVISED TEST YEAR ESTIMATE
OUTSIDE SERVICES									
923010 OUTSIDE SERVICES - LEGAL									
NON-LABOR	20.1					20.1			20.1
TOTAL 923010	20.1		-	-	-	20.1	-		20.1
923020 OUTSIDE SERVICES - OTHER									
NON-LABOR	88.1					88.1			88.1
TOTAL 923020	88.1		-	-	-	88.1	-		88.1
923030 OUTSIDE SERVICES - ASSOC CO									
NON-LABOR	2,055.2	B	1.0	(120.2)	(61.1)	1,874.9	39.7	M	1,914.6
TOTAL 923030	2,055.2		1.0	(120.2)	(61.1)	1,874.9	39.7		1,914.6
TOTAL OS SVCS	2,163.4		1.0	(120.2)	(61.1)	1,983.1	39.7		2,022.8

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
MAUI DIVISION

	OPERATING BUDGET	BUDGET ADJ	RATE CASE ADJ	NORM ADJ	TEST YEAR ESTIMATE	JUNE ADJ	REVISED TEST YEAR ESTIMATE
INSURANCE							
924 PROPERTY INSURANCE							
LABOR	-				-		-
NON-LABOR	750.3				750.3		750.3
TOTAL 924	750.3	-	-	-	750.3	-	750.3
925 INJURIES & DAMAGES							
LABOR	268.4				268.4		268.4
NON-LABOR	1,042.8				1,042.8	(17.1)	1,025.7
TOTAL 925	1,311.2	-	-	-	1,311.2	(17.1)	1,294.1
INSURANCE - TOTAL							
LABOR	268.4	-	-	-	268.4	-	268.4
NON-LABOR	1,793.1	-	-	-	1,793.1	(17.1)	1,776.0
TOTAL	2,061.5	-	-	-	2,061.5	(17.1)	2,044.4

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
MAUI DIVISION

	OPERATING BUDGET		BUDGET ADJ	RATE CASE ADJ	NORM ADJ	TEST YEAR ESTIMATE	JUNE ADJ		REVISED TEST YEAR ESTIMATE
EMPLOYEE BENEFITS									
926000 EMPL PENSIONS AND BENEFITS									
LABOR	80.1	C	(5.5)			74.6			74.6
NON-LABOR	7,905.6	C,D,E, I	(523.3)	(57.9)	(18.7)	7,305.7	217.0	O,P,Q,R,S,U	7,522.7
TOTAL 926000	7,985.7		(528.8)	(57.9)	(18.7)	7,380.3	217.0		7,597.3
926010 EMPL BENEFITS - FLEX CREDITS									
NON-LABOR	-		-	-	-	-	-		-
TOTAL 926010	-		-	-	-	-	-		-
926020 EMPL BENEFITS - TRANSFER									
NON-LABOR	(2,237.4)	F,G	259.6	-	-	(1,977.8)	81.3	T,V,W	(1,896.5)
TOTAL 926020	(2,237.4)		259.6	-	-	(1,977.8)	81.3		(1,896.5)
EMPLOYEE BENEFITS - TOTAL									
LABOR	80.1		(5.5)	-	-	74.6	-		74.6
NON-LABOR	5,668.2		(263.7)	(57.9)	(18.7)	5,327.9	298.3		5,626.2
TOTAL	5,748.3		(269.2)	(57.9)	(18.7)	5,402.5	298.3		5,700.8

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
MAUI DIVISION

	OPERATING BUDGET	BUDGET ADJ	RATE CASE ADJ	NORM ADJ	TEST YEAR ESTIMATE	JUNE ADJ		REVISED TEST YEAR ESTIMATE
OTHER ADMIN & GENL								
928 REGULATORY COMMISSION EXPENSES								
NON-LABOR	-			341.8	341.8	5.7	Y	347.5
TOTAL 928	-	-	-	341.8	341.8	5.7		347.5
9301 INSTITUTN/GOODWILL ADVERT EXP								
LABOR	-				-			-
NON-LABOR	2.7				2.7			2.7
TOTAL 9301	2.7	-	-	-	2.7	-		2.7
9302 MISCELLANEOUS GENERAL EXPENSES								
LABOR	19.4				19.4			19.4
NON-LABOR	771.0	H 7.3	(20.7)		757.6	(7.2)	X	750.4
TOTAL 9302	790.4	7.3	(20.7)	-	777.0	(7.2)		769.8
931 RENT EXPENSE - A&G								
NON-LABOR	6.0				6.0			6.0
TOTAL 931	6.0	-	-	-	6.0	-		6.0
932 ADMIN AND GENL MAINTENANCE								
LABOR	-				-			-
NON-LABOR	114.4				114.4			114.4
TOTAL 932	114.4	-	-	-	114.4	-		114.4
OTHER A&G - TOTAL								
LABOR	19.4	-	-	-	19.4	-		19.4
NON-LABOR	894.1	7.3	(20.7)	341.8	1,222.5	(1.5)		1,221.0
TOTAL	913.5	7.3	(20.7)	341.8	1,241.9	(1.5)		1,240.4
TOTAL A&G O&M	13,369.9	(541.0)	(546.7)	267.4	12,549.6	305.5		12,855.1

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
LANAI DIVISION

	<u>OPERATING BUDGET</u>	<u>BUDGET ADJ</u>	<u>RATE CASE ADJ</u>	<u>NORM ADJ</u>	<u>TEST YEAR ESTIMATE</u>	<u>JUNE ADJ</u>	<u>REVISED TEST YEAR ESTIMATE</u>
ADMINISTRATIVE							
92000 ADMIN & GENL EXP - LABR							
LABOR	-				-		-
NON-LABOR					-		-
TOTAL 92000	-	-	-	-	-	-	-
92100 ADMIN & GENL EXP - NLABR							
LABOR					-		-
NON-LABOR	-				-		-
TOTAL 92100	-	-	-	-	-	-	-
92201 ADMIN EXP TFRD TO CONSTR							
NON-LABOR	-				-		-
TOTAL 92201	-	-	-	-	-	-	-
ADMINISTRATIVE - TOTAL							
LABOR	-	-	-	-	-	-	-
NON-LABOR	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
LANAI DIVISION

	<u>OPERATING BUDGET</u>	<u>BUDGET ADJ</u>	<u>RATE CASE ADJ</u>	<u>NORM ADJ</u>	<u>TEST YEAR ESTIMATE</u>	<u>JUNE ADJ</u>	<u>REVISED TEST YEAR ESTIMATE</u>
OUTSIDE SERVICES							
923010 OUTSIDE SERVICES - LEGAL NON-LABOR	-				-		-
TOTAL 923010	-	-	-	-	-	-	-
923020 OUTSIDE SERVICES - OTHER NON-LABOR	-				-		-
TOTAL 923020	-	-	-	-	-	-	-
923030 OUTSIDE SERVICES - ASSOC CO NON-LABOR	-				-		-
TOTAL 923030	-	-	-	-	-	-	-
TOTAL OS SVCS	-	-	-	-	-	-	-

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
LANAI DIVISION

	OPERATING <u>BUDGET</u>	BUDGET <u>ADJ</u>	RATE CASE <u>ADJ</u>	NORM <u>ADJ</u>	TEST YEAR <u>ESTIMATE</u>	JUNE <u>ADJ</u>	REVISED TEST YEAR <u>ESTIMATE</u>
INSURANCE							
924 PROPERTY INSURANCE							
LABOR	-				-		-
NON-LABOR	-				-		-
TOTAL 924	-	-	-	-	-	-	-
925 INJURIES & DAMAGES							
LABOR	-				-		-
NON-LABOR	-				-		-
TOTAL 925	-	-	-	-	-	-	-
INSURANCE - TOTAL							
LABOR	-	-	-	-	-	-	-
NON-LABOR	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
LANAI DIVISION

	OPERATING BUDGET	BUDGET ADJ	RATE CASE ADJ	NORM ADJ	TEST YEAR ESTIMATE	JUNE ADJ	REVISED TEST YEAR ESTIMATE
EMPLOYEE BENEFITS							
926000 EMPL PENSIONS AND BENEFITS							
LABOR		C 2.2			2.2		2.2
NON-LABOR	-	C 209.2			209.2	6.3 U	215.5
TOTAL 926000	-	211.4	-	-	211.4	6.3	217.7
926010 EMPL BENEFITS - FLEX CREDITS							
NON-LABOR	-				-		-
TOTAL 926010	-	-	-	-	-	-	-
926020 EMPL BENEFITS - TRANSFER							
NON-LABOR	-	G (57.0)			(57.0)	0.1 W	(56.9)
TOTAL 926020	-	(57.0)	-	-	(57.0)	0.1	(56.9)
EMPLOYEE BENEFITS - TOTAL							
LABOR	-	2.2	-	-	2.2	-	2.2
NON-LABOR	-	152.2	-	-	152.2	6.4	158.6
TOTAL	-	154.4	-	-	154.4	6.4	160.8

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
LANAI DIVISION

	OPERATING BUDGET	BUDGET ADJ	RATE CASE ADJ	NORM ADJ	TEST YEAR ESTIMATE	JUNE ADJ	REVISED TEST YEAR ESTIMATE
OTHER ADMIN & GENL							
928 REGULATORY COMMISSION EXPENSES							
NON-LABOR	-	-	-	-	-	-	-
TOTAL 928	-	-	-	-	-	-	-
9301 INSTITUTN/GOODWILL ADVERT EXP							
LABOR	-	-	-	-	-	-	-
NON-LABOR	-	-	-	-	-	-	-
TOTAL 9301	-	-	-	-	-	-	-
9302 MISCELLANEOUS GENERAL EXPENSES							
LABOR	-	-	-	-	-	-	-
NON-LABOR	90.0 A	96.1	-	-	186.1	0.2 L	186.3
TOTAL 9302	90.0	96.1	-	-	186.1	0.2	186.3
931 RENT EXPENSE - A&G							
NON-LABOR	-	-	-	-	-	-	-
TOTAL 931	-	-	-	-	-	-	-
932 ADMIN AND GENL MAINTENANCE							
LABOR	-	-	-	-	-	-	-
NON-LABOR	3.2	-	-	-	3.2	-	3.2
TOTAL 932	3.2	-	-	-	3.2	-	3.2
OTHER A&G TOTAL							
LABOR	-	-	-	-	-	-	-
NON-LABOR	93.2	96.1	-	-	189.3	0.2	189.5
TOTAL	93.2	96.1	-	-	189.3	0.2	189.5
TOTAL A&G O&M	93.2	250.5	-	-	343.7	6.6	350.3

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
MOLOKAI DIV

	<u>OPERATING</u> <u>BUDGET</u>	<u>BUDGET</u> <u>ADJ</u>	<u>RATE CASE</u> <u>ADJ</u>	<u>NORM</u> <u>ADJ</u>	<u>TEST YEAR</u> <u>ESTIMATE</u>	<u>JUNE</u> <u>ADJ</u>	<u>REVISED</u> <u>TEST YEAR</u> <u>ESTIMATE</u>
ADMINISTRATIVE							
92000 ADMIN & GENL EXP - LABR							
LABOR	11.5				11.5		11.5
NON-LABOR					-		-
TOTAL 92000	11.5	-	-	-	11.5	-	11.5
92100 ADMIN & GENL EXP - NLABR							
LABOR	1.8				1.8		1.8
NON-LABOR	7.6				7.6		7.6
TOTAL 92100	9.4	-	-	-	9.4	-	9.4
92201 ADMIN EXP TFRD TO CONSTR							
NON-LABOR	-				-		-
TOTAL 92201	-	-	-	-	-	-	-
ADMINISTRATIVE - TOTAL							
LABOR	13.3	-	-	-	13.3	-	13.3
NON-LABOR	7.6	-	-	-	7.6	-	7.6
TOTAL	20.9	-	-	-	20.9	-	20.9

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
MOLOKAI DIV

	<u>OPERATING BUDGET</u>	<u>BUDGET ADJ</u>	<u>RATE CASE ADJ</u>	<u>NORM ADJ</u>	<u>TEST YEAR ESTIMATE</u>	<u>JUNE ADJ</u>	<u>REVISED TEST YEAR ESTIMATE</u>
OUTSIDE SERVICES							
923010 OUTSIDE SERVICES - LEGAL							
NON-LABOR	-	-	-	-	-	-	-
TOTAL 923010	-	-	-	-	-	-	-
923020 OUTSIDE SERVICES - OTHER							
NON-LABOR	-	-	-	-	-	-	-
TOTAL 923020	-	-	-	-	-	-	-
923030 OUTSIDE SERVICES - ASSOC CO							
NON-LABOR	-	-	-	-	-	-	-
TOTAL 923030	-	-	-	-	-	-	-
TOTAL OS SVCS	-	-	-	-	-	-	-

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
MOLOKAI DIV

	OPERATING <u>BUDGET</u>	BUDGET <u>ADJ</u>	RATE CASE <u>ADJ</u>	NORM <u>ADJ</u>	TEST YEAR <u>ESTIMATE</u>	JUNE <u>ADJ</u>	REVISED TEST YEAR <u>ESTIMATE</u>
INSURANCE							
924 PROPERTY INSURANCE							
LABOR	-				-		-
NON-LABOR	-				-		-
TOTAL 924	-	-	-	-	-	-	-
925 INJURIES & DAMAGES							
LABOR					-		-
NON-LABOR	-				-		-
TOTAL 925	-	-	-	-	-	-	-
INSURANCE - TOTAL							
LABOR	-	-	-	-	-	-	-
NON-LABOR	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
MOLOKAI DIV

	OPERATING <u>BUDGET</u>		BUDGET <u>ADJ</u>	RATE CASE <u>ADJ</u>	NORM <u>ADJ</u>	TEST YEAR <u>ESTIMATE</u>	JUNE <u>ADJ</u>		REVISED TEST YEAR <u>ESTIMATE</u>
EMPLOYEE BENEFITS									
926000 EMPL PENSIONS AND BENEFITS									
LABOR		C	3.3			3.3			3.3
NON-LABOR	-	C	325.4			325.4	9.7	U	335.1
TOTAL 926000	-		328.7	-	-	328.7	9.7		338.4
926010 EMPL BENEFITS - FLEX CREDITS									
NON-LABOR	-					-			-
TOTAL 926010	-		-	-	-	-	-		-
926020 EMPL BENEFITS - TRANSFER									
NON-LABOR	-	G	(88.7)			(88.7)	0.1	W	(88.6)
TOTAL 926020	-		(88.7)	-	-	(88.7)	0.1		(88.6)
EMPLOYEE BENEFITS - TOTAL									
LABOR	-		3.3	-	-	3.3	-		3.3
NON-LABOR	-		236.7	-	-	236.7	9.8		246.5
TOTAL	-		240.0	-	-	240.0	9.8		249.8

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
MOLOKAI DIV

	OPERATING BUDGET	BUDGET ADJ	RATE CASE ADJ	NORM ADJ	TEST YEAR ESTIMATE	JUNE ADJ	REVISED TEST YEAR ESTIMATE
OTHER ADMIN & GENL							
928 REGULATORY COMMISSION EXPENSES							
NON-LABOR	-	-	-	-	-	-	-
TOTAL 928	-	-	-	-	-	-	-
9301 INSTITUTN/GOODWILL ADVERT EXP							
LABOR	-	-	-	-	-	-	-
NON-LABOR	-	-	-	-	-	-	-
TOTAL 9301	-	-	-	-	-	-	-
9302 MISCELLANEOUS GENERAL EXPENSES							
LABOR	0.6				0.6		0.6
NON-LABOR	180.0	A 184.0			364.0	0.3 L	364.3
TOTAL 9302	180.6	184.0	-	-	364.6	0.3	364.9
931 RENT EXPENSE - A&G							
NON-LABOR	-	-	-	-	-	-	-
TOTAL 931	-	-	-	-	-	-	-
932 ADMIN AND GENL MAINTENANCE							
LABOR	11.1				11.1		11.1
NON-LABOR	29.8				29.8		29.8
TOTAL 932	40.9	-	-	-	40.9	-	40.9
OTHER A&G - TOTAL							
LABOR	11.7	-	-	-	11.7	-	11.7
NON-LABOR	209.8	184.0	-	-	393.8	0.3	394.1
TOTAL	221.5	184.0	-	-	405.5	0.3	405.8
TOTAL A&G O&M	242.4	424.0	-	-	666.4	10.1	676.5

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
TOTAL COMPANY

	OPERATING <u>BUDGET</u>	BUDGET <u>ADJ</u>	RATE CASE <u>ADJ</u>	NORM <u>ADJ</u>	TEST YEAR <u>ESTIMATE</u>	JUNE <u>ADJ</u>	REVISED TEST YEAR <u>ESTIMATE</u>
ADMINISTRATIVE							
92000 ADMIN & GENL EXP - LABR							
LABOR	1,847.1	-	-	-	1,847.1	-	1,847.1
NON-LABOR	681.1	-	(339.8)	-	341.3	(36.9)	304.4
TOTAL 92000	2,528.2	-	(339.8)	-	2,188.4	(36.9)	2,151.50
92100 ADMIN & GENL EXP - NLABR							
LABOR	249.4	-	-	-	249.4	-	249.4
NON-LABOR	665.4	-	(8.1)	5.4	662.7	-	662.7
TOTAL 92100	914.8	-	(8.1)	5.4	912.1	-	912.1
92201 ADMIN EXP TFRD TO CONSTR							
NON-LABOR	(938.9)	(280.1)	-	-	(1,219.0)	23.0	(1,196.0)
TOTAL 92201	(938.9)	(280.1)	-	-	(1,219.0)	23.0	(1,196.0)
ADMINISTRATIVE - TOTAL							
LABOR	2,096.5	-	-	-	2,096.5	-	2,096.5
NON-LABOR	407.6	(280.1)	(347.9)	5.4	(215.0)	(13.9)	(228.9)
TOTAL ADMINISTRATIVE	2,504.1	(280.1)	(347.9)	5.4	1,881.5	(13.9)	1,867.6

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
TOTAL COMPANY

	OPERATING <u>BUDGET</u>	BUDGET <u>ADJ</u>	RATE CASE <u>ADJ</u>	NORM <u>ADJ</u>	TEST YEAR <u>ESTIMATE</u>	JUNE <u>ADJ</u>	REVISED TEST YEAR <u>ESTIMATE</u>
OUTSIDE SERVICES							
923010 OUTSIDE SERVICES - LEGAL							
NON-LABOR	20.1	-	-	-	20.1	-	20.1
TOTAL 923010	20.1	-	-	-	20.1	-	20.1
923020 OUTSIDE SERVICES - OTHER							
NON-LABOR	88.1	-	-	-	88.1	-	88.1
TOTAL 923020	88.1	-	-	-	88.1	-	88.1
923030 OUTSIDE SERVICES - ASSOC CO							
NON-LABOR	2,055.2	1.0	(120.2)	(61.1)	1,874.9	39.7	1,914.6
TOTAL 923030	2,055.2	1.0	(120.2)	(61.1)	1,874.9	39.7	1,914.6
TOTAL OS SVCS	2,163.4	1.0	(120.2)	(61.1)	1,983.1	39.7	2,022.8

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
TOTAL COMPANY

	OPERATING <u>BUDGET</u>	BUDGET <u>ADJ</u>	RATE CASE <u>ADJ</u>	NORM <u>ADJ</u>	TEST YEAR <u>ESTIMATE</u>	JUNE <u>ADJ</u>	REVISED TEST YEAR <u>ESTIMATE</u>
INSURANCE							
924 PROPERTY INSURANCE							
LABOR	-	-	-	-	-	-	-
NON-LABOR	750.3	-	-	-	750.3	-	750.3
TOTAL 924	750.3	-	-	-	750.3	-	750.3
925 INJURIES & DAMAGES							
LABOR	268.4	-	-	-	268.4	-	268.4
NON-LABOR	1,042.8	-	-	-	1,042.8	(17.1)	1,025.7
TOTAL 925	1,311.2	-	-	-	1,311.2	(17.1)	1,294.1
INSURANCE - TOTAL							
LABOR	268.4	-	-	-	268.4	-	268.4
NON-LABOR	1,793.1	-	-	-	1,793.1	(17.1)	1,776.0
TOTAL	2,061.5	-	-	-	2,061.5	(17.1)	2,044.4

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
TOTAL COMPANY

	OPERATING <u>BUDGET</u>	BUDGET <u>ADJ</u>	RATE CASE <u>ADJ</u>	NORM <u>ADJ</u>	TEST YEAR <u>ESTIMATE</u>	JUNE <u>ADJ</u>	REVISED TEST YEAR <u>ESTIMATE</u>
EMPLOYEE BENEFITS							
926000 EMPL PENSIONS AND BENEFITS							
LABOR	80.1	-	-	-	80.1	-	80.1
NON-LABOR	7,905.6	11.3	(57.9)	(18.7)	7,840.3	233.0	8,073.3
TOTAL 926000	7,985.7	11.3	(57.9)	(18.7)	7,920.4	233.0	8,153.4
926010 EMPL BENEFITS - FLEX CREDITS							
NON-LABOR	-	-	-	-	-	-	-
TOTAL 926010	-	-	-	-	-	-	-
926020 EMPL BENEFITS - TRANSFER							
NON-LABOR	(2,237.4)	113.9	-	-	(2,123.5)	81.5	(2,042.0)
TOTAL 926020	(2,237.4)	113.9	-	-	(2,123.5)	81.5	(2,042.0)
EMPLOYEE BENEFITS - TOTAL							
LABOR	80.1	-	-	-	80.1	-	80.1
NON-LABOR	5,668.2	125.2	(57.9)	(18.7)	5,716.8	314.5	6,031.3
TOTAL	5,748.3	125.2	(57.9)	(18.7)	5,796.9	314.5	6,111.4

MAUI ELECTRIC COMPANY, INC.
TEST YEAR 2007 (\$1000S)
TOTAL COMPANY

	OPERATING BUDGET	BUDGET ADJ	RATE CASE ADJ	NORM ADJ	TEST YEAR ESTIMATE	JUNE ADJ	REVISED TEST YEAR ESTIMATE
OTHER ADMIN & GENL							
928 REGULATORY COMMISSION EXPENSES							
NON-LABOR	-	-	-	341.8	341.8	5.7	347.5
TOTAL 928	-	-	-	341.8	341.8	5.7	347.5
9301 INSTITUTN/GOODWILL ADVERT EXP							
LABOR	-	-	-	-	-	-	-
NON-LABOR	2.7	-	-	-	2.7	-	2.7
TOTAL 9301	2.7	-	-	-	2.7	-	2.7
9302 MISCELLANEOUS GENERAL EXPENSES							
LABOR	20.0	-	-	-	20.0	-	20.0
NON-LABOR	1,041.0	287.4	(20.7)	-	1,307.7	(6.7)	1,301.0
TOTAL 9302	1,061.0	287.4	(20.7)	-	1,327.7	(6.7)	1,321.0
931 RENT EXPENSE - A&G							
NON-LABOR	6.0	-	-	-	6.0	-	6.0
TOTAL 931	6.0	-	-	-	6.0	-	6.0
932 ADMIN AND GENL MAINTENANCE							
LABOR	11.1	-	-	-	11.1	-	11.1
NON-LABOR	147.4	-	-	-	147.4	-	147.4
TOTAL 932	158.5	-	-	-	158.5	-	158.5
OTHER A&G - TOTAL							
LABOR	31.1	-	-	-	31.1	-	31.1
NON-LABOR	1,197.1	287.4	(20.7)	341.8	1,805.6	(1.0)	1,804.6
TOTAL	1,228.2	287.4	(20.7)	341.8	1,836.7	(1.0)	1,835.7
TOTAL A&G O&M	13,705.5	133.5	(546.7)	267.4	13,559.7	322.2	13,881.9

MAUI ELECTRIC COMPANY, INC.
ADMINISTRATIVE & GENERAL O&M EXPENSE
TEST YEAR 2007 (\$000s)
BUDGET ADJUSTMENTS

Note	Account	Description	Amount
A	922.01	Adjustment to allocate A&G O&M expenses to Lanai and Molokai Divisions. Adjustment amount available after operating budget finalized.	(280.1)
A	9302L	Adjustment to allocate A&G O&M expenses to Lanai and Molokai Divisions. Adjustment amount available after operating budget finalized.	96.1
A	9302M	Adjustment to allocate A&G O&M expenses to Lanai and Molokai Divisions. Adjustment amount available after operating budget finalized.	184.0
Sub-total for A			-
B	923.03	Adjustment to add annual maintenance for FOCUS software. Adjustment required to correct omission from operating budget.	1.0
C	926.00	Adjustment to allocate employee benefits expense to Lanai and Molokai Divisions. Adjustment amount available after operating budget finalized.	(5.5)
C	926.00	Adjustment to allocate employee benefits expense to Lanai and Molokai Divisions. Adjustment amount available after operating budget finalized.	(534.6)
C	926L	Adjustment to allocate employee benefits expense to Lanai and Molokai Divisions. Adjustment amount available after operating budget finalized.	2.2
C	926L	Adjustment to allocate employee benefits expense to Lanai and Molokai Divisions. Adjustment amount available after operating budget finalized.	209.2
C	926M	Adjustment to allocate employee benefits expense to Lanai and Molokai Divisions. Adjustment amount available after operating budget finalized.	3.3
C	926M	Adjustment to allocate employee benefits expense to Lanai and Molokai Divisions. Adjustment amount available after operating budget finalized.	325.4
Sub-total for C			-

MAUI ELECTRIC COMPANY, INC.
ADMINISTRATIVE & GENERAL O&M EXPENSE
TEST YEAR 2007 (\$000s)
BUDGET ADJUSTMENTS

Note	Account	Description	Amount
D	926.00	Adjustment to add amortization for HR Suites system development deferred costs. Adjustment amount available after operating budget finalized.	3.3
E	926.00	Adjustment of pension and OPEB expense. Adjustment for updated estimate available after operating budget finalized.	(47.0)
F	926.02	Adjustment of employee benefits transferred estimate. Adjustment to reflect budget, rate case and normalization adjustments to gross employee benefits expense.	113.9
G	926.02	Adjustment to allocate employee benefits transfer to Lanai and Molokai Divisions. Adjustment amount available after operating budget finalized.	145.7
G	926.02L	Adjustment to allocate employee benefits transfer to Lanai and Molokai Divisions. Adjustment amount available after operating budget finalized.	(57.0)
G	926.02M	Adjustment to allocate employee benefits transfer to Lanai and Molokai Divisions. Adjustment amount available after operating budget finalized.	(88.7)
Sub-total for G			-
H	9302	Adjustment of EPRI annual dues. Adjustment for updated estimate available after operating budget finalized.	7.3
I	926.00	Adjustment to add post employment benefit expense. Adjustment required to correct omission from operating budget.	55.0
Total Budget Adjustments			<u>133.5</u>

MAUI ELECTRIC COMPANY, INC.
ADMINISTRATIVE & GENERAL O&M EXPENSE
TEST YEAR 2007 (\$000s)
JUNE 2007 UPDATE ADJUSTMENTS

Note	Account	Description	Amount
J	920.00	Adjustment to remove costs for Ho'okina employee incentive program. The program was terminated in 2007.	(36.9)
K	922.00	Adjustment for the addition of three regular MECO employees to base rates previously classified as incremental DSM positions in MECO's filing of its direct testimony. The addition is described further by Ms. Sharon Suzuki in the June 2007 Update for MECO T-8.	23.5
L	9302L	Change in Maui Division A & G Expenses to allocate.	0.2
L	9302M	Change in Maui Division A & G Expenses to allocate.	0.3
L	922.02	Change in Maui Division A & G Expenses to allocate.	(0.5)
Sub-total for L			-
M	923.03	Adjustments to correct the test year 2007 estimate for Microsoft Enterprise costs. See updated MECO-911.	39.7
N	925.01	Adjustment to remove double counting of state workers' compensation special fund assessments. The error in the original test year estimate was described in MECO T-9, page 46, line 16. See updated MECO-913.	(17.1)
O	926.00	Adjustment to pension expense for more current estimate. Updates to Account No. 926 Employee Benefits expense are discussed further by Ms. Julie Price in the June 2007 Update for MECO T-10.	209.4
P	926.00	Adjustment to OPEB expense for more current estimate. Updates to Account No. 926 Employee Benefits expense are discussed further by Ms. Julie Price in the June 2007 Update for MECO T-10.	(191.6)

MAUI ELECTRIC COMPANY, INC.
ADMINISTRATIVE & GENERAL O&M EXPENSE
TEST YEAR 2007 (\$000s)
JUNE 2007 UPDATE ADJUSTMENTS

Note	Account	Description	Amount
Q	926.00	Adjustment to add amortization for pension tracking mechanism.	241.9
R	926.00	Adjustment to remove amortization for HR Suites system development deferred costs. Updates to Account No. 926 Employee Benefits expense are discussed further by Ms. Julie Price in the June 2007 Update for MECO T-10.	(3.3)
S	926.00	Adjustment to employee benefits expense for more current information. Updates to Account No. 926 Employee Benefits expense are discussed further by Ms. Julie Price in the June 2007 Update for MECO T-10.	(23.4)
T	926.02	Adjustment for the addition of three regular MECO employees to base rates previously classified as incremental DSM positions in MECO's filing of its direct testimony. The addition is described further by Ms. Sharon Suzuki in the June 2007 Update for MECO T-8.	78.5
U	926.00	Adjustment to allocate employee benefits expense to Lanai and Molokai Divisions. Updates to Account No. 926 Employee Benefits expense are discussed further by Ms. Julie Price in the June 2007 Update for MECO T-10.	(16.0)
U	926L	Adjustment to allocate employee benefits expense to Lanai and Molokai Divisions. Updates to Account No. 926 Employee Benefits expense are discussed further by Ms. Julie Price in the June 2007 Update for MECO T-10.	6.3
U	926M	Adjustment to allocate employee benefits expense to Lanai and Molokai Divisions. Updates to Account No. 926 Employee Benefits expense are discussed further by Ms. Julie Price in the June 2007 Update for MECO T-10.	9.7
Sub-total for U			-

MAUI ELECTRIC COMPANY, INC.
ADMINISTRATIVE & GENERAL O&M EXPENSE
TEST YEAR 2007 (\$000s)
JUNE 2007 UPDATE ADJUSTMENTS

Note	Account	Description	Amount
V	926.02	Adjustment to employee benefits transfer estimate for updates to Account No. 926 Employee Benefits expense. See updated MECO-914.	3.0
W	926.02	Adjustment to allocate employee benefits transfer to Lanai and Molokai Divisions.	(0.2)
W	926.02L	Adjustment to allocate employee benefits transfer to Lanai and Molokai Divisions.	0.1
W	926.02M	Adjustment to allocate employee benefits transfer to Lanai and Molokai Divisions.	0.1
Sub-total for W			-
X	9302	Adjustment to EPRI dues. Please see MECO-919 for further details.	(7.2)
Y	928	Adjustment to amortization of regulatory commission expense as a result of adjustment to estimated costs for Act 162 outside consulting services.	5.7
Total June 2007 Update Adjustments (Items J - X)			<u>322.2</u>

MAUI ELECTRIC COMPANY, LIMITED
ADMINISTRATIVE AND GENERAL EXPENSES
Test Year 2007
(\$ Thousands)

MECO TOTAL

Account	Account Description	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Actual 2006	Bud 2007	Adjustments	TY 2007	June Adjustments	Revised TY 2007
ADMINISTRATIVE												
920	ADMIN & GENL EXP - LABR	2,039.0	1,572.8	2,105.8	2,072.9	2,113.8	2,135.2	2,516.7	(339.8)	2,176.9	(36.9)	2,140.0
920L	ADMIN & GENL EXP - LABR - LANAI	0.3	-	1.6	0.3	1.0	0.1	-	-	-	-	-
920M	ADMIN & GENL EXP - LABR - MOLOKAI	19.1	14.1	12.0	14.4	13.5	10.8	11.5	-	11.5	-	11.5
	A&G SALARIES	2,058.4	1,586.9	2,119.4	2,087.6	2,128.3	2,146.1	2,528.2	(339.8)	2,188.4	(36.9)	2,151.5
921	ADMIN & GENL EXP - NLABR	839.6	474.6	513.8	599.9	631.6	778.9	905.4	(2.7)	902.7	-	902.7
921L	ADMIN & GENL EXP - NLABR - LANAI	0.2	-	1.0	-	-	-	-	-	-	-	-
921M	ADMIN & GENL EXP - NLABR - MOLOKAI	7.6	7.1	7.2	7.5	7.3	5.5	9.4	-	9.4	-	9.4
	OFFICE SUPPLIES & EXPENSES	847.4	481.7	522.0	607.4	638.9	784.4	914.8	(2.7)	912.1	-	912.1
922	ADMIN EXPENSES TRANSFERRED	(766.5)	(901.3)	(990.5)	(994.0)	(913.4)	(943.5)	(938.9)	(280.1)	(1,219.0)	23.0	(1,196.0)
	TOTAL ADMINISTRATIVE	2,139.3	1,167.3	1,650.9	1,701.0	1,853.8	1,987.0	2,504.1	(622.6)	1,881.5	(13.9)	1,867.6
OUTSIDE SERVICES												
923010	LEGAL SERVICES	22.2	46.9	6.0	7.0	7.5	11.1	20.1	-	20.1	-	20.1
923020	OTHER OUTSIDE SERVICES	25.2	27.4	24.0	3.6	27.9	83.9	88.1	-	88.1	-	88.1
923030	OTHER SERVICES - ASSOC CO	1,460.8	1,471.6	1,752.4	1,406.0	1,564.7	1,766.4	2,055.2	(180.3)	1,874.9	39.7	1,914.6
92303L	OTHER SERVICES - ASSOC CO - LANAI	-	-	-	-	0.8	7.0	-	-	-	-	-
92303M	OTHER SERVICES - ASSOC CO - MOLOKAI	-	-	-	-	0.8	7.0	-	-	-	-	-
	TOTAL OUTSIDE SERVICES	1,508.2	1,545.9	1,782.4	1,416.6	1,601.7	1,875.4	2,163.4	(180.3)	1,983.1	39.7	2,022.8
INSURANCE												
924	PROPERTY INSURANCE	340.2	481.4	648.5	668.7	1,349.0	758.1	750.3	-	750.3	-	750.3
925	INJURIES & DAMAGES	1,361.2	1,409.2	705.3	724.1	768.8	652.3	1,311.2	-	1,311.2	(17.1)	1,294.1
925M	INJURIES & DAMAGES - MOLOKAI	-	-	-	-	0.1	-	-	-	-	-	-
	TOTAL INSURANCE	1,701.4	1,890.6	1,353.8	1,392.8	2,117.9	1,410.4	2,061.5	-	2,061.5	(17.1)	2,044.4
EMPLOYEE BENEFITS												
926000	EMPL PENSIONS & BENEFITS	408.8	1,472.2	5,225.8	4,518.6	5,360.2	6,738.1	7,985.7	(65.3)	7,920.4	233.0	8,153.4
926010	EMPL BENEFITS - FLEX CREDITS	-	-	-	-	-	(11.0)	-	-	-	-	-
926020	EMPL BENEFITS - TRANSFERS	(68.4)	(426.1)	(1,526.0)	(1,482.6)	(1,626.2)	(2,105.3)	(2,237.4)	113.9	(2,123.5)	81.5	(2,042.0)
	TOTAL EMPLOYEE BENEFITS	340.4	1,046.1	3,699.8	3,036.0	3,734.0	4,621.8	5,748.3	48.6	5,796.9	314.5	6,111.4
MISCELLANEOUS												
928	REGULATORY COMMISSION EXPENSES	97.4	-	-	-	-	-	-	341.8	341.8	5.7	347.5
9301	INSTITUTN/GOODWILL ADVERT EXP	4.6	0.8	2.4	3.2	1.1	1.7	2.7	-	2.7	-	2.7
9302	MISCELLANEOUS GENERAL EXPENSES	394.0	609.5	521.8	460.4	631.5	201.2	790.4	(13.4)	777.0	(7.2)	769.8
931	RENT EXPENSE	-	-	-	6.1	5.6	6.1	6.0	-	6.0	-	6.0
9302L	MISC EXPENSES OTHER-LANAI	91.1	94.8	90.1	192.8	73.0	85.4	90.0	96.1	186.1	0.2	186.3
9302M	MISC EXPENSES OTHER-MOLOKAI	180.6	182.2	181.0	185.6	180.7	180.0	180.6	184.0	364.6	0.3	364.9
	TOTAL MISCELLANEOUS	767.7	887.3	795.3	648.1	891.9	474.4	1,069.7	608.5	1,678.2	(1.0)	1,677.2
MAINTENANCE OF GENERAL PLANT												
932	ADMIN AND GENL MAINTENANCE	125.3	148.1	194.2	157.8	147.4	148.1	114.4	-	114.4	-	114.4
932L	ADMIN AND GENL MAINTENANCE-LANAI	0.6	13.9	23.0	6.4	14.2	19.6	3.2	-	3.2	-	3.2
932M	ADMIN AND GENL MAINTENANCE-MOLOKAI	31.6	31.9	25.5	60.4	42.7	43.3	40.9	-	40.9	-	40.9
	TOTAL MAINTENANCE	157.5	193.9	242.7	224.6	204.3	211.0	158.5	-	158.5	-	158.5
	TOTAL ADMINISTRATIVE & GENERAL	6,614.5	6,731.1	9,524.9	8,619.1	10,403.6	10,580.0	13,705.5	(145.8)	13,559.7	322.2	13,881.9

MAUI ELECTRIC COMPANY, LIMITED
ADMINISTRATIVE AND GENERAL EXPENSES - MAUI DIVISION
Test Year 2007
(\$ Thousands)

Account	Account Description	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Bud 2006	Bud 2007	Adjustments	TY 2007	June Adjustments	Revised TY 2007
ADMINISTRATIVE												
920	ADMIN & GENL EXP - LABR	2,039.0	1,572.8	2,105.8	2,072.9	2,113.8	2,468.6	2,516.7	(339.8)	2,176.9	(36.9)	2,140.0
921	ADMIN & GENL EXP - NLABR	839.6	474.6	513.8	599.9	631.6	(1,074.5)	905.4	(2.7)	902.7	-	902.7
922	ADMIN EXPENSES TRANSFERRED	(766.5)	(901.3)	(990.5)	(994.0)	(913.4)	(894.2)	(938.9)	(280.1)	(1,219.0)	23.0	(1,196.0)
	TOTAL ADMINISTRATIVE	2,112.1	1,146.1	1,629.1	1,678.8	1,832.0	499.9	2,483.2	(622.6)	1,860.6	(13.9)	1,846.7
OUTSIDE SERVICES												
923010	LEGAL SERVICES	22.2	46.9	6.0	7.0	7.5	27.4	20.1	-	20.1	-	20.1
923020	OTHER OUTSIDE SERVICES	25.2	27.4	24.0	3.6	27.9	-	88.1	-	88.1	-	88.1
923030	OTHER SERVICES - ASSOC CO	1,460.8	1,471.6	1,752.4	1,406.0	1,564.7	1,906.2	2,055.2	(180.3)	1,874.9	39.7	1,914.6
	TOTAL OUTSIDE SERVICES	1,508.2	1,545.9	1,782.4	1,416.6	1,600.1	1,933.6	2,163.4	(180.3)	1,983.1	39.7	2,022.8
INSURANCE												
924	PROPERTY INSURANCE	340.2	481.4	648.5	668.7	1,349.0	713.3	750.3	-	750.3	-	750.3
925	INJURIES & DAMAGES	1,361.2	1,409.2	705.3	724.1	768.8	1,362.5	1,311.2	-	1,311.2	(17.1)	1,294.1
	TOTAL INSURANCE	1,701.4	1,890.6	1,353.8	1,392.8	2,117.8	2,075.8	2,061.5	-	2,061.5	(17.1)	2,044.4
EMPLOYEE BENEFITS												
926000	EMPL PENSIONS & BENEFITS	408.8	1,472.2	5,225.8	4,518.6	5,360.2	7,591.8	7,985.7	(605.4)	7,380.3	217.0	7,597.3
926010	EMPL BENEFITS - FLEX CREDITS	-	-	-	-	-	-	-	-	-	-	-
926020	EMPL BENEFITS - TRANSFERS	(68.4)	(426.1)	(1,526.0)	(1,482.6)	(1,626.2)	(2,065.4)	(2,237.4)	259.6	(1,977.8)	81.3	(1,896.5)
	TOTAL EMPLOYEE BENEFITS	340.4	1,046.1	3,699.8	3,036.0	3,734.0	5,526.4	5,748.3	(345.8)	5,402.5	298.3	5,700.8
MISCELLANEOUS												
928	REGULATORY COMMISSION EXPENSES	97.4	-	-	-	-	-	-	341.8	341.8	5.7	347.5
9301	INSTITUTN/GOODWILL ADVERT EXP	4.6	0.8	2.4	3.2	1.1	2.8	2.7	-	2.7	-	2.7
9302	MISCELLANEOUS GENERAL EXPENSES	394.0	609.5	521.8	460.4	631.5	558.0	790.4	(13.4)	777.0	(7.2)	769.8
931	RENT EXPENSE	-	-	-	6.1	5.6	5.8	6.0	-	6.0	-	6.0
	TOTAL MISCELLANEOUS	496.0	610.3	524.2	469.7	638.2	564.6	799.1	328.4	1,127.5	(1.5)	1,126.0
MAINTENANCE OF GENERAL PLANT												
932	ADMIN AND GENL MAINTENANCE	125.3	148.1	194.2	157.8	147.4	184.6	114.4	-	114.4	-	114.4
	TOTAL MAINTENANCE	125.3	148.1	194.2	157.8	147.4	184.6	114.4	-	114.4	-	114.4
	TOTAL ADMINISTRATIVE & GENERAL	6,283.4	8,387.1	9,183.5	8,151.7	10,069.5	10,784.9	13,369.9	(820.3)	12,549.6	305.5	12,855.1

MAUI ELECTRIC COMPANY, LIMITED
ADMINISTRATIVE AND GENERAL EXPENSES - LANAI DIVISION
Test Year 2007
(\$ Thousands)

Account	Account Description	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Bud 2006	Bud 2007	Adjustments	TY 2007	June Adjustments	Revised TY 2007
ADMINISTRATIVE												
920L	ADMIN & GENL EXP - LABR - LANAI	0.3	-	1.6	0.3	1.0	-	-	-	-	-	-
921L	ADMIN & GENL EXP - NLABR - LANAI	0.2	-	1.0	-	-	-	-	-	-	-	-
	TOTAL ADMINISTRATIVE	0.5	-	2.6	0.3	1.0	-	-	-	-	-	-
OUTSIDE SERVICES												
92303L	OTHER SERVICES - ASSOC CO - LANAI	-	-	-	-	0.8	-	-	-	-	-	-
	TOTAL OUTSIDE SERVICES	-	-	-	-	0.8	-	-	-	-	-	-
EMPLOYEE BENEFITS												
926000	EMPL PENSIONS & BENEFITS	-	-	-	-	-	-	-	211.4	211.4	6.3	217.7
926010	EMPL BENEFITS - FLEX CREDITS	-	-	-	-	-	-	-	-	-	-	-
926020	EMPL BENEFITS - TRANSFERS	-	-	-	-	-	-	-	(57.0)	(57.0)	0.1	(56.9)
	TOTAL EMPLOYEE BENEFITS	-	-	-	-	-	-	-	154.4	154.4	6.4	160.8
MISCELLANEOUS												
9302L	MISC EXPENSES OTHER-LANAI	91.1	94.8	90.1	192.8	73.0	90.0	90.0	96.1	186.1	0.2	186.3
	TOTAL MISCELLANEOUS	91.1	94.8	90.1	192.8	73.0	90.0	90.0	96.1	186.1	0.2	186.3
MAINTENANCE OF GENERAL PLANT												
932L	ADMIN AND GENL MAINTENANCE-LANAI	0.6	13.9	23.0	6.4	14.2	5.1	3.2	-	3.2	-	3.2
	TOTAL MAINTENANCE	0.6	13.9	23.0	6.4	14.2	5.1	3.2	-	3.2	-	3.2
	TOTAL ADMINISTRATIVE & GENERAL	92.2	108.7	115.7	199.5	89.0	95.1	93.2	250.5	343.7	6.6	350.3

MAUI ELECTRIC COMPANY, LIMITED
ADMINISTRATIVE AND GENERAL EXPENSES - MOLOKAI DIVISION
Test Year 2007
(\$ Thousands)

Account	Account Description	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005	Bud 2006	Bud 2007	Adjustments	TY 2007	June Adjustments	Revised TY 2007
ADMINISTRATIVE												
920M	ADMIN & GENL EXP - LABR - MOLOKAI	19.1	14.1	12.0	14.4	13.5	12.4	11.5	-	11.5	-	11.5
921M	ADMIN & GENL EXP - NLABR - MOLOKAI	7.6	7.1	7.2	7.5	7.3	7.8	9.4	-	9.4	-	9.4
	TOTAL ADMINISTRATIVE	26.7	21.2	19.2	21.9	20.8	20.2	20.9	-	20.9	-	20.9
OUTSIDE SERVICES												
92303M	OTHER SERVICES - ASSOC CO - MOLOKAI	-	-	-	-	0.8	-	-	-	-	-	-
	TOTAL OUTSIDE SERVICES	-	-	-	-	0.8	-	-	-	-	-	-
INSURANCE												
925M	INJURIES & DAMAGES - MOLOKAI	-	-	-	-	0.1	-	-	-	-	-	-
	TOTAL INSURANCE	-	-	-	-	0.1	-	-	-	-	-	-
EMPLOYEE BENEFITS												
926000	EMPL PENSIONS & BENEFITS	-	-	-	-	-	-	-	328.7	328.7	9.7	338.4
926010	EMPL BENEFITS - FLEX CREDITS	-	-	-	-	-	-	-	-	-	-	-
926020	EMPL BENEFITS - TRANSFERS	-	-	-	-	-	-	-	(88.7)	(88.7)	0.1	(88.6)
	TOTAL EMPLOYEE BENEFITS	-	-	-	-	-	-	-	240.0	240.0	9.8	249.8
MISCELLANEOUS												
9302M	MISC EXPENSES OTHER-MOLOKAI	180.6	182.2	181.0	185.6	180.7	180.6	180.6	184.0	364.6	0.3	364.9
	TOTAL MISCELLANEOUS	180.6	182.2	181.0	185.6	180.7	180.6	180.6	184.0	364.6	0.3	364.9
MAINTENANCE OF GENERAL PLANT												
932M	ADMIN AND GENL MAINTENANCE-MOLOKAI	31.6	31.9	25.5	60.4	42.7	46.8	40.9	-	40.9	-	40.9
	TOTAL MAINTENANCE	31.6	31.9	25.5	60.4	42.7	46.8	40.9	-	40.9	-	40.9
	TOTAL ADMINISTRATIVE & GENERAL	238.9	235.3	225.7	267.9	245.1	247.6	242.4	424.0	666.4	10.1	676.5

MAUI ELECTRIC COMPANY, LIMITED

Administrative Expenses Transferred
Account 922

Test Year 2007

	<u>Test Year Estimate</u>	<u>June 2007 Adjustments</u>	<u>Revised Test Year Estimate</u>
a Transfers to construction and others	668,900	(23,500)	645,400
b Transfers to Lanai & Molokai Divisions	<u>550,100</u>	<u>500</u>	<u>550,600</u>
Total Administrative Expenses Transferred	<u>1,219,000</u>	<u>(23,000)</u>	<u>1,196,000</u>

a See MECO-907

b See MECO-908

2007

(000)

Cost Pool:

Labor		\$	474	
Transfer Rate per updated KPMG study	X		<u>56%</u>	
		\$		265
NPW				42
Payroll Taxes				23
Emp Ben				112
Nonlabor-Acct. 921.00		\$	832	
Transfer Rate per updated KPMG study	X		<u>15%</u>	
		\$		125
Stores				14
	A			<u>\$ 581</u>

Cost Base:

Capital Labor Hours			112	
Clearings to Capital		+	<u>46</u>	
	B			<u>\$ 158</u>
Corporate Admin rate per hour	C = A ÷ B		\$	3.67
Total Productive hours	D	X		<u>678</u>
Administrative Expenses Transferred - based on total productive hours	E = C X D		\$	2,490
Reversal of Corporate Admin on-cost charged to O&M		+		<u>(1,821)</u>
Subtotal				669

Subtotal from page 1 669

Administrative Expenses Transfer Adjustments and
Normalizations:

Rate-making adjustment to exclude incentive program costs from cost pool	8
Normalization adjustment for depreciation study costs	(11)
Normalization adjustment for interisland travel for union contract negotiations	6

		3	
Transfer Rate per updated KPMG study	X	15%	0

Administrative Expenses Transferred to Construction	\$ 669
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June 2007 Update Adjustments:

[*] Adjustment for reclassification of labor for 3 DSM positions	(24)
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Revised Test Year Estimate - Administrative Expenses Transferred to Construction	645
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Notes:

[*] See June 2007 Update for T-8, Customer Service Expenses.

MAUI ELECTRIC COMPANY, LIMITED
Account 922
Administrative Expenses Transferred to Lanai & Molokai Divisions
\$ Thousands

	2007 Operating <u>Budget</u>	<u>Adjustment</u>	2007 Test Year <u>Estimate</u>	June 2007 <u>Adjustment</u>	Revised Test Year <u>Estimate</u>
A & G Allocation to Molokai	(180.0)	(184.0)	(364.0)	(0.3)	(364.3)
A & G Allocation to Lanai	(90.0)	(96.1)	(186.1)	(0.2)	(186.3)
Total Account 922.02	(270.0)	(280.1)	(550.1)	(0.5)	(550.6)

Molokai and Lanai A & G Allocation

Forecast # of customers -

	<u>Molokai</u>	<u>Lanai</u>
65,441	3,141	1,606
Total	4.80%	2.45%

% of total

	2007 Test Year <u>Estimate</u>	June 2007 <u>Adjustment</u>	Revised Test Year <u>Estimate</u>
<u>Test Year expenses to allocate</u>			
Maui Division A&G Expenses (see MECO-901, page 5)	12,549.6	305.5	12,855.1
Adjustment for expenses already allocated to or budget for divisions:			
Employee Benefits (Acct 926)	(5,402.5)	(298.3)	(5,700.8)
Maintenance (Acct 932)	(114.4)	-	(114.4)
Adjustment to reverse Lanai & Molokai A&G allocation adjustment	280.1	-	280.1
Adjustment to reverse Lanai & Molokai A&G allocation in 2007 Pillar Budget	270.0	-	270.0
Total expenses to allocate	7,582.8	7.2	7,590.0
A & G Allocation			

364.3 186.3

MAUI ELECTRIC CO., LTD.
Outside Services - Associated Companies
Account 923.03

								2007			2007		Revised
								Operating		Norm	Test Year	June	Test Year
Actv	Type Of Service	2001	2002	2003	2004	2005	2006	Budget	Adjust	Adjust	Estimate	Adjust	Estimate
700	Develop & Administer Business Plans	342,947	416,104	526,461	611,324	600,821	652,828	592,252	(120,178)		472,074		472,074
701	Develop & Manage Forecasts	6,569	728	12,091	17,197	70,664	32,356	19,462			19,462		19,462
710	Develop & Manage Forecasts-Sales & Load	4,779	1,729	12,361	17,342	18,130	21,582	4,938			4,938		4,938
720	Improve Business Processes	322,046	302,010	341,708	138,211	146,258	115,026	269,354			269,354		269,354
721	Develop, Measure & Analyze Org Performance	3,046	0	0	666	1,010	1,119	2,898			2,898		2,898
722	Design, Deploy & Assess Org Develop Strategies	0	0	0	624	0	722	2,317			2,317		2,317
723	Manage & Admin Incentive & Recog Prog	9,125	3,445	3,459	3,971	3,038	2,402	3,907			3,907		3,907
735	Prepare & Support Rate Case Filings	0	0	0	0	0	0	0			0		0
736	Perf Pricing Analyses & Dev Pricing Prop	15,789	25,626	33,101	15,889	26,040	99,136	16,974			16,974		16,974
737	Prep & Supp Cost Recov& Rate Adj Filings	2,230	2,211	30,065	5,154	4,044	20,688	12,491			12,491		12,491
738	Prepare & Support Othr PUC Reg Filings	9,985	15,643	22,889	28,443	12,792	7,920	21,026			21,026		21,026
739	Prep & Support PUC Cap Project Filings	0	0	3,503	1,163	209	0	1,339			1,339		1,339
745	Maintain Rel w/Legis & Govt Agencies	5,894	8,515	6,309	7,264	11,681	15,269	20,942			20,942		20,942
752	Maintain Relations with Media	508	0	2,430	0	179	538	6,244			6,244		6,244
753	Maintain Relations with Community	0	0	0	0	51	0	1,656			1,656		1,656
756	Maintain Relations with Investors	74	390	19	257	0	19	3,050			3,050		3,050
760	Coord, Conduct & Assist w/Audit-Internal	15,075	3,227	26,828	329	799	41,536	51,158			51,158		51,158
761	Coord, Conduct & Assist w/Audit-External	131	4,669	409	64	558	194	4,854			4,854		4,854
765	Dev, Mnge & Admin Empl Pol,Prac & Proced	707	870	872	1,236	1,613	7,354	5,184			5,184		5,184
766	Maintain Employee Records	1,895	1,210	1,611	2,420	2,746	3,741	7,032			7,032		7,032
767	Develop, Manage & Admin Recruit Policies, Practices & Procedures	106	0	0	32	0	0	56			56		56

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MAUI ELECTRIC CO., LTD.
Outside Services - Associated Companies
Account 923.03

Acty	Type Of Service	2001	2002	2003	2004	2005	2006	2007	Adjust	2007	June	Revised
								Operating		Norm		Test Year
								Budget		Adjust	Estimate	Estimate
775	Dev,Mnge& Admin Empl Comp Pol,Prac& Proc	20,752	9,127	17,250	22,141	16,325	12,873	33,212				33,212
777	Process Payroll	3,390	1,174	768	2,880	1,848	7,052	11,886				11,886
788	Conduct Employee Training	25,207	(1)	0	0	1,127	0	454				454
805	Manage BU & Othr Labor Agreements	416	327	16,492	1,768	2,132	1,213	27,662	(8,593)		19,069	19,069
807	Manage & Provide Companywide Emp Comm	4,682	7,932	7,679	7,455	8,510	6,952	8,644			8,644	8,644
815	Devalop & Admin Acctg Policies & Proced	0	88	330	976	38	511	6,610			6,610	6,610
817	Maintain Fixed Asset Records	8,947	7,707	45,320	7,133	14,894	22,990	27,496			27,496	27,496
818	Maintain G/L & Subldgers & Stat Info	265,369	205,020	120,627	154,390	228,730	298,620	290,674			290,674	290,674
819	Administer Tax Returns & Reports	197,795	208,951	96,000	(128,510)	45	0	0			0	0
825	Manage Cash	(12,688)	34,488	36,850	35,838	(18,087)	49,842	63,329			63,329	63,329
827	Perform Economic/Financial Analysis	92	3,713	5,288	227	230	139	2,230			2,230	2,230
835	Prep & File Fin Rpts/Stat Info-Int	723	2,942	5,424	5,975	6,293	3,421	3,958			3,958	3,958
836	Prep & File Fin Rpts/Stat Info-Ext	8,427	4,941	10,870	225,650	143,218	74,142	75,966	1,000		76,966	76,966
842	Order Materials, Eq, Supplies & Svcs	20,095	13,260	26,570	18,996	37,654	27,284	50,728			50,728	50,728
843	Process Invoices & Other Payments	57,725	83,421	120,821	115,955	111,753	138,041	178,674			178,674	178,674
844	Prep & Mnge Contracts for Svcs & Mat	0	341	3,633	1,029	0	10,577	24,111			24,111	24,111
891	Maintain Existing Computer Applications	56,722	33,020	140,493	8,068	15,816	4,316	102,048	(52,500)		49,548	89,248
899	Maintain Applications (Inactive eff. 9/1/01)	2,564	0	0	0	0	0	0			0	0
901	Provide IT Customer Assistance	0	0	0	0	0	0	0			0	0

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MAUI ELECTRIC CO., LTD.
Outside Services - Associated Companies
Account 923.03

Actv	Type Of Service	2001	2002	2003	2004	2005	2006	2007		Norm	2007		June	Revised
								Operating	Adjust		Test Year	Estimate		Test Year
								Budget	Adjust		Estimate	Adjust		Estimate
916	Operate System & Equip-Telecommunications	25,116	27,156	25,966	25,116	25,116	10,465	0			0			0
926	Manage Owned, Leased & Jointly Owned Property	1,429	0	0	0	0	0	0			0			0
928	Process Easements	223	618	408	807	602	476	3,167			3,167			3,167
950	Provide & Mnge Risk Mgmt Svcs-Liability	11,882	10,277	13,052	15,668	14,481	24,131	35,120			35,120			35,120
951	Provide & Mnge Risk Mgmt Svcs-Property	9,549	11,807	14,192	15,615	36,497	32,807	41,858			41,858			41,858
	Provide & Manage Risk Management Services-													
953	Workers Comp	1,136	3,136	3,067	3,236	5,030	4,134	5,081			5,081			5,081
960	Manage Service & Process Documentation	10,081	15,546	17,155	13,959	11,850	12,879	11,196			11,196			11,196
961	Conduct Legal Due Diligence	216	267	0	0	0	0	0			0			0
965	Provide Records Management Services	0	0	0	0	0	1,106	3,997			3,997			3,997
Total Associated Companies Services (Includes HEI)		1,460,756	1,471,635	1,752,371	1,405,958	1,564,735	1,766,401	2,055,235	(119,178)	(61,093)	1,874,964	39,700		1,914,664

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MAUI ELECTRIC CO., LTD.
Insurance Premium, Absorbed Losses and Safety Expenses (\$000s)

Line of Expense	2001 Recorded	Change %	2002 Recorded	Change %	2003 Recorded	Change %	2004 Recorded	Change %	2005 Recorded	Change %	2006 Recorded	Change %	2007 Op Budget	Budget Adjust- ments	2007 Test Year Estimate	June Adjust- ments	Revised Test Year Estimate
:COUNT 924.00. PROPERTY																	
bor	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0	0.0		0.0
n-Labor																	
remiums	261.7	73.0%	452.8	40.3%	635.1	-7.9%	585.1	-1.4%	577.1	2.0%	588.9	21.2%	713.6	0.0	713.6		713.6
serve Accrual & Absorbed Lo	78.5	-63.6%	28.6	-53.1%	13.4	523.9%	83.6	823.3%	771.9	-78.1%	169.2	-78.3%	36.7	0.0	36.7		36.7
Subtotal	340.2	41.5%	481.4	34.7%	648.5	3.1%	668.7	101.7%	1349.0	-43.8%	758.1	-1.0%	750.3	0.0	750.3	0.0	750.3
Total Account 924	340.2	41.5%	481.4	34.7%	648.5	3.1%	668.7	101.7%	1349.0	-43.8%	758.1	-1.0%	750.3	0.0	750.3	0.0	750.3
:COUNT 925.01. INJURIES & DAMAGES - EMPLOYEE																	
bor																	
bor - Workers' Compensation	32.9	23.1%	40.5	-13.1%	35.2	-6.0%	33.1	-9.1%	30.1	34.2%	40.4	-9.9%	36.4	0.0	36.4	0.0	36.4
bor - Safety Program	126.5	-13.7%	109.2	2.4%	111.8	24.6%	139.3	-3.2%	134.8	4.5%	140.9	16.3%	163.9	0.0	163.9	0.0	163.9
Subtotal	159.4	-6.1%	149.7	-1.8%	147.0	17.3%	172.4	-4.4%	164.9	9.9%	181.3	10.5%	200.3	0.0	200.3	0.0	200.3
n Labor																	
age Benefit	70.7	-81.0%	13.4	250.0%	46.9	-31.1%	32.3	-60.1%	12.9	313.2%	53.3	-71.9%	15.0	0	15.0	0	15.0
remium	33.8	126.0%	76.4	11.9%	85.5	-28.3%	61.3	-24.3%	46.4	22.4%	56.8	47.0%	83.5	0.0	83.5	(17.1)	66.4
mployee Claims	505.1	68.9%	853.2	-92.2%	66.7	-238.4%	(92.3)	69.3%	(28.3)	-971.0%	(303.1)	215.1%	348.8	0.0	348.8	0.0	348.8
fety and Security Program	78.6	6.6%	83.8	-12.5%	73.3	32.7%	97.3	6.7%	103.8	-13.4%	89.9	27.1%	114.3	0.0	114.3	0.0	114.3
Subtotal	688.2	49.2%	1026.8	-73.5%	272.4	-63.8%	98.6	36.7%	134.8	-176.5%	(103.1)	644.7%	561.6	0.0	561.6	(17.1)	544.5
Total 925.01	847.6	38.8%	1176.5	-64.4%	419.4	-35.4%	271.0	10.6%	299.7	-73.9%	78.2	874.3%	761.9	0.0	761.9	(17.1)	744.8
:COUNT 925.02. INJURIES & DAMAGES - PUBLIC																	
bor	22.3	-48.9%	11.4	83.3%	20.9	67.5%	35.0	6.6%	37.3	57.4%	57.2	-7.2%	53.1	0.0	53.1	0.0	53.1
n Labor																	
remium	171.2	4.0%	178.0	36.4%	242.8	46.8%	356.4	9.7%	390.9	2.1%	399.1	9.5%	437.1	0.0	437.1	0.0	437.1
ner Public Claims	320.1	-86.5%	43.3	-48.7%	22.2	177.9%	61.7	-33.5%	41.0	187.6%	117.9	-49.9%	59.1	0.0	59.1	0.0	59.1
Subtotal	491.3	-55.0%	221.3	19.7%	265.0	57.8%	418.1	3.3%	431.9	19.7%	517.0	-4.0%	496.2	0.0	496.2	0.0	496.2
Total 925.02	513.6	-54.7%	232.7	22.9%	285.9	58.5%	453.1	3.6%	469.2	22.4%	574.2	-4.3%	549.3	0.0	549.3	0.0	549.3
Total Account 925	1361.2	3.5%	1409.2	-50.0%	705.3	2.7%	724.1	6.2%	768.9	-15.2%	652.4	101.0%	1311.2	0.0	1311.2	0.0	1294.1
RAND TOTAL	1701.4	11.1%	1890.6	-28.4%	1353.8	2.9%	1392.8	52.1%	2117.9	-33.4%	1410.5	46.2%	2061.5	0.0	2061.5	(17.1)	2044.4

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MECO T-9
ATTACHMENT 1
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MAUI ELECTRIC CO., LTD.
Insurance Premiums and Related Expenses (\$000s)

Insurance Premium By Type of Insurance	2001 Recorded	* Change * %	2002 Recorded	* Change * %	2003 Recorded	* Change * %	2004 Recorded	* Change * %	2005 Recorded	* Change * %	2006 Recorded	* Change * %	2007 Op Budget	Budget Adjust- ments	2007 Test Year Estimate	June Adjust- ments	Revised Test Year Estimate
<u>ACCOUNT 924.00, PROPERTY</u>																	
Property &	187.1	74.4%	326.3	42.9%	466.2	-7.8%	430.0	-2.3%	419.9	2.8%	431.6	21.2%	523.0	0.0	523.0	0.0	523.0
Boiler/Machinery	74.6	69.6%	126.5	33.5%	168.9	-8.2%	155.1	1.4%	157.2	0.1%	157.3	20.8%	190.0	0.0	190.0	0.0	190.0
Freight Insurance	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.6	0.0	0.6	0.0	0.6
Subtotal	261.7	73.0%	452.8	40.3%	635.1	-7.9%	585.1	-1.4%	577.1	2.0%	588.9	21.2%	713.6	0.0	713.6	0.0	713.6
<u>ACCOUNT 925.01, INJURIES & DAMAGES - EMPLOYEE</u>																	
Excess Workers Comp	19.5	111.8%	41.3	17.4%	48.5	-6.4%	45.4	-1.8%	44.6	3.6%	46.2	47.8%	68.3	0.0	68.3	(17.1)	51.2
State Self-Insurers	14.3	145.5%	35.1	5.4%	37.0	-57.0%	15.9	-88.7%	1.8	488.9%	10.6	43.4%	15.2	0.0	15.2	0.0	15.2
Subtotal	33.8	126.0%	76.4	11.9%	85.5	-28.3%	61.3	-24.3%	46.4	22.4%	56.8	47.0%	83.5	0.0	83.5	(17.1)	66.4
<u>ACCOUNT 925.02, INJURIES & DAMAGES - PUBLIC</u>																	
General Liability	133.6	28.8%	172.1	26.8%	218.2	22.0%	266.1	11.2%	295.8	3.3%	305.6	9.3%	334.0	0.0	334.0	0.0	334.0
Director/Officer	27.3	-104.0%	(1.1)	45.5%	(0.6)	7816.7%	46.3	6.9%	49.5	-3.4%	47.8	8.4%	51.8	0.0	51.8	0.0	51.8
Fiduciary & Employee Ben Lk	7.8	-79.5%	1.6	425.0%	8.4	120.2%	18.5	40.5%	26.0	6.2%	27.6	18.5%	32.7	0.0	32.7	0.0	32.7
Crime	2.5	116.0%	5.4	205.6%	16.5	9.1%	18.0	-16.7%	15.0	-10.7%	13.4	10.4%	14.8	0.0	14.8	0.0	14.8
Special Contingency	0.0	0.0%	0.0	0.0%	0.0	0.0%	1.4	-100.0%	0.0	0.0%	0.0	0.0%	0.0	0.0	0.0	0.0	0.0
Other (Auto, Prof Liab, Bonds)	0.0	0.0%	0.0	0.0%	0.3	1933.3%	6.1	-24.6%	4.6	2.2%	4.7	-19.1%	3.8	0.0	3.8	0.0	3.8
Subtotal	171.2	4.0%	178.0	36.4%	242.8	46.8%	356.4	9.7%	390.9	2.1%	399.1	9.5%	437.1	0.0	437.1	0.0	437.1
GRAND TOTAL	466.7	51.5%	707.2	36.2%	963.4	4.1%	1002.8	1.2%	1014.4	3.0%	1044.8	18.1%	1234.2	0.0	1234.2	(17.1)	1217.1

MAUI ELECTRIC CO., LTD.
Absorbed Losses and Nonlabor Safety Expenses (\$000s)

Type of Claim		2001 Activity Recorded	* Change %	2002 Recorded	* Change %	2003 Recorded	* Change %	2004 Recorded	Change %	2005 Recorded	* Change %	2006 Recorded	* Change %	2007 Op Budget	Budget Adjust- ments	2007 Test Year Estimate	June Adjust- ment	Revised Test Year Estimate
ACCOUNT 924.00. PROPERTY																		
Reserve Accrual	951	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	750.0	-100.0%	0.0	0.0%	0.0	0.0	0.0	0.0	0.0
Absorbed Losses	951	78.5	-63.6%	28.6	-53.1%	13.4	523.9%	83.6	-73.8%	21.9	672.6%	169.2	-78.3%	36.7		36.7		36.7
Subtotal		78.5	-63.6%	28.6	-53.1%	13.4	523.9%	83.6	823.3%	771.9	-78.1%	169.2	-78.3%	36.7	0.0	36.7	0.0	36.7
ACCOUNT 925.01. INJURIES & DAMAGES - EMPLOYEE																		
Wage Benefit	098	70.7	-81.0%	13.4	250.0%	46.9	-31.1%	32.3	-60.1%	12.9	313.2%	53.3	-71.9%	15.0	0	15.0	0	15.0
Claims	953	307.7	36.8%	420.8	-30.1%	294.0	-23.4%	225.2	3.4%	232.8	-22.3%	180.8	92.9%	348.8	0.0	348.8	0.0	348.8
Reserve Accrual	953	196.8	119.4%	431.8	-152.6%	(227.3)	-39.9%	(318.0)	17.8%	(261.4)	-85.3%	(484.4)	100.0%	0.0	0.0	0.0	0.0	0.0
On-Cost	953	0.6	0.0%	0.6	-100.0%	0.0	0.0%	0.5	-40.0%	0.3	66.7%	0.5	-100.0%	0.0	0.0	0.0	0.0	0.0
Employee Claims Subtotal		575.8	50.5%	866.6	-86.9%	113.6	-152.8%	(60.0)	74.3%	(15.4)	-1522.1%	(249.8)	245.6%	363.8	0.0	363.8	0.0	363.8
Safety & Security Program	795, 79€	77.0	8.4%	83.5	-10.4%	74.8	28.7%	96.3	9.2%	105.2	-16.3%	88.0	29.1%	113.6	0.0	113.6	0.0	113.6
On-Cost	795, 79€	1.6	-81.2%	0.3	-600.0%	(1.5)	166.7%	1.0	-240.0%	(1.4)	235.7%	1.9	-63.2%	0.7	0.0	0.7	0.0	0.7
Safety Program Subtotal		78.6	6.6%	83.8	-12.5%	73.3	32.7%	97.3	6.7%	103.8	-13.4%	89.9	27.1%	114.3	0.0	114.3	0.0	114.3
Employee Claims/Reserve Accrual/Safety Prgrm Subtotal		654.4	45.2%	950.4	-80.3%	186.9	-80.0%	37.3	137.0%	88.4	-280.9%	(159.9)	399.0%	478.1	0.0	478.1	0.0	478.1
ACCOUNT 925.02. INJURIES & DAMAGES - PUBLIC																		
MECO Customer Claims	950	181.4	-78.6%	38.9	-21.3%	30.6	116.3%	66.2	-40.8%	39.2	57.1%	61.6	-18.8%	50.0	0.0	50.0	0.0	50.0
Other Public Claims	950	25.6	-64.5%	9.1	-100.0%	0.0	0.0%	0.9	-100.0%	0.0	0.0%	0.0	0.0%	0.0	0.0	0.0	0.0	0.0
Reserve Accrual	950	112.6	-104.5%	(5.1)	-70.6%	(8.7)	28.7%	(6.2)	100.0%	0.0	0.0%	50.0	-100.0%	0.0	0.0	0.0	0.0	0.0
On-cost	950	0.5	-20.0%	0.4	-25.0%	0.3	166.7%	0.8	125.0%	1.8	250.0%	6.3	44.4%	9.1	0.0	9.1	0.0	9.1
Other Public Claims / Reserve Accrual Subtotal		320.1	-86.5%	43.3	-48.7%	22.2	177.9%	61.7	-33.5%	41.0	187.6%	117.9	-49.9%	59.1	0.0	59.1	0.0	59.1
GRAND TOTAL		1053.0	-2.9%	1022.3	-78.2%	222.5	-17.9%	182.6	393.6%	901.3	-85.9%	127.2	351.2%	573.9	0.0	573.9	0.0	573.9

MAUI ELECTRIC CO., LTD.
Labor and Related Expenses (\$000s)

Type of Claim	Activity	2001 Recorded	* Change * %	2002 Recorded	* Change * %	2003 Recorded	* Change * %	2004 Recorded	* Change * %	2005 Recorded	* Change * %	2006 Recorded	* Change * %	2007 Op Budget	Budget Adjust- ments	2007 Test Year Estimate	June Adjust- ments	Revised Test Year Estimate
ACCOUNT 925.01, INJURIES & DAMAGES - EMPLOYEES																		
Workers' Comp Direct Labor	953	28.4	22.2%	34.7	-12.4%	30.4	-4.9%	28.9	-9.0%	26.3	33.8%	35.2	-10.2%	31.6		31.6		31.6
Workers' Comp On-Cost	953	4.5	28.9%	5.8	-17.2%	4.8	-12.5%	4.2	-9.5%	3.8	36.8%	5.2	-7.7%	4.8		4.8		4.8
Subtotal		32.9	23.1%	40.5	-13.1%	35.2	-6.0%	33.1	-9.1%	30.1	34.2%	40.4	-9.9%	36.4		36.4		36.4
Safety Program Direct Labor	795, 796	109.7	-14.5%	93.8	3.2%	96.8	24.6%	120.6	-3.1%	116.9	4.3%	121.9	17.2%	142.9		142.9		142.9
Safety Program On-Cost	795, 796	16.8	-8.3%	15.4	-2.6%	15.0	24.7%	18.7	-4.3%	17.9	6.1%	19.0	10.5%	21.0		21.0		21.0
Subtotal		126.5	-13.7%	109.2	2.4%	111.8	24.6%	139.3	-3.2%	134.8	4.5%	140.9	16.3%	163.9		163.9		163.9
Workers' Comp & Safety Program		159.4	-6.1%	149.7	-1.8%	147.0	17.3%	172.4	-4.4%	164.9	9.9%	181.3	10.5%	200.3		200.3		200.3
ACCOUNT 925.02, INJURIES & DAMAGES - PUBLIC																		
Direct Labor	950	18.6	-47.8%	9.7	88.7%	18.3	69.9%	31.1	6.1%	33.0	51.5%	50.0	-5.2%	47.4		47.4		47.4
On-Cost	950	3.7	-54.1%	1.7	52.9%	2.6	50.0%	3.9	10.3%	4.3	67.4%	7.2	-20.8%	5.7		5.7		5.7
Subtotal		22.3	-48.9%	11.4	83.3%	20.9	67.5%	35.0	6.6%	37.3	-100.2%	57.2	-7.2%	53.1		53.1		53.1
Total 925.01 & 925.02		181.7	-11.3%	161.1	4.2%	167.9	23.5%	207.4	-2.5%	202.2	18.0%	238.5	6.2%	253.4		253.4		253.4

MAUI ELECTRIC COMPANY, LTD.
EMPLOYEE BENEFITS TRANSFER ACCOUNT NO. 926020
\$000

		<u>Test Year Estimate</u>	<u>June Adjust</u>	<u>Revised Test Year Estimate</u>
<u>Cost Pool:</u>				
Labor to 926		\$ 70		\$ 70
NPW		0		0
Payroll Taxes		6		6
Eng Del		0		0
Corp Admin		8		8
Stores		1		1
Emp Ben		24		24
Nonlabor		7,746 *	233	7,979
MECO-901, page 22, adjustment I *			55	55
Math error on original MECO-914			9	9
Sub-totals		7,856	297	8,153
Other adjustments:				
Exclude amortization of pension tracking			(242)	(242)
Totals	A	<u>\$ 7,856</u>	<u>\$ 55</u>	<u>\$ 7,911</u>
<u>Cost Base:</u>				
Total Company Productive Hours		678		678
	B	<u>678</u>		<u>678</u>
Employee Benefits rate per hour	C = A ÷ B	\$ 11.58		\$ 11.66
Total Company Productive Hours	D X	<u>678</u>		<u>678</u>
Employee Benefits transfer - based on total productive hours	E = C X D	\$ 7,865	\$ 46	\$ 7,911
Reversal of Employee Benefits on-cost charged to O&M	+	<u>(5,742)</u>	<u>(49)</u>	<u>(5,791)</u>
Employee Benefits transfer before DSM employee reclassification		2,123	(3)	2,120
Reclassify Employee Benefits on-cost for 3 DSM employees		<u>0</u>	<u>(78)</u>	<u>(78)</u>
Employee Benefits transfer		<u>\$ 2,123</u>	<u>\$ (81)</u>	<u>\$ 2,042</u>

* Note: Does not include budget adjustment I (see MECO-901, page 22), an addition of \$55. This will be adjusted at rebuttal.

MAUI ELECTRIC COMPANY, LIMITED
Account 928 - Regulatory Commission Expenses
Rate Case Expenses
Test Year 2007 Estimate

	<u>2006 Test Year</u>	<u>June 2007 Adjustment</u>	<u>Revised Test Year</u>
Outside Legal Services	768,000		768,000
Consultants - Return On Common Equity	53,500		53,500
Consultants - HEI Impact (Affadavit)	10,000		10,000
Consultants - Act 162	25,000	17,000	42,000
Consultants - Other	152,000		152,000
Other Non-Labor Charges			0
(Witness Training, Mailings, Travel, Supplies, etc.)	<u>17,000</u>		<u>17,000</u>
Total 2007 Rate Case Expenses	1,025,500	17,000	1,042,500
Amortization Period (# Of Years)	<u>3</u>	<u>3</u>	<u>3</u>
Test Year 2007 Amortization Amount	<u>341,800</u>	<u>5,700</u>	<u>347,500</u>

MAUI ELECTRIC COMPANY, LIMITED
Account 9302 - Miscellaneous General Expenses
Test Year 2007 Estimate

Account #	Account Description	2006 Recorded	2007 Test Year Estimate	June Adjustment	Revised Test Year Estimate	Reference for 2007 TY Estimate
930.21	Community Service Activities	47,229	56,200	-	56,200	
930.22	Company Memberships	50,818	101,100	-	101,100	MECO-917
930.24	Research and Development	(5,385)	497,700	(7,200)	490,500	MECO-918
930.25	Preferred Stock and Long-Term Debt Expense	99,521	96,100	-	96,100	MECO-920
930.28	Directors' Fees and Expenses	4,418	25,900	-	25,900	MECO-921
		<u>196,601</u>	<u>777,000</u>	<u>(7,200)</u>	<u>769,800</u>	

MAUI ELECTRIC COMPANY, LIMITED
Account 9302 - Miscellaneous General Expenses
RESEARCH & DEVELOPMENT EXPENSE

	Recorded						Operating Budget 2007	Budget Adjustment	Test Year 2007	June Adjustment	Revised Test Year
	2001	2002	2003	2004	2005	2006					
EPRI Dues	202,800	200,400	197,418	237,718	198,708	527	222,132	7,268	229,400	(7,200)	222,200
Local Research & Development:											
Sun Power for Schools	7,171	15,712	9,802	(49,847)	(7,688)	(8,252)	95,879		95,879		95,879
Photovoltaic/Solar Park	11,681	4,350	3,745	7,151	1,781	477	-		-		-
BIPV demonstration	2,180	2,365	83,440	20,737	(17,125)	(12,389)	-		-		-
Biodiesel feasibility assessment	14,425	-	-	-	-	-	-		-		-
Hawaii Energy Test Lab	-	-	-	-	95,354	9,756	-		-		-
Electronic shock absorber	-	-	-	75,725	78,748	28,542	-		-		-
Lanai pumped storage	-	-	-	45,911	2,041	(28,119)	-		-		-
CHP phase 1	-	202,110	39,665	267	(15,490)	-	-		-		-
Solar air conditioning	-	-	-	-	-	-	80,000		80,000		80,000
Photovoltaic County grant	-	-	-	-	-	-	25,000		25,000		25,000
Power Quality Technology	-	-	-	-	-	-	29,500		29,500		29,500
Advanced HVAC Systems	-	-	-	-	-	-	25,000		25,000		25,000
Other projects to be determined	-	-	-	-	-	-	-		-		-
Sub-total local R&D	35,457	224,537	136,652	99,944	137,621	(9,985)	255,379	-	255,379	-	255,379
Other:											
Others (primarily labor & on costs	2,154	7,302	4,850	20,610	9,845	4,073	12,958		12,958		12,958
Coding error - should have	-	-	-	-	42,635	-	-		-		-
have been account 923030	-	-	-	-	-	-	-		-		-
Sub-total other	2,154	7,302	4,850	20,610	52,480	4,073	12,958	-	12,958	-	12,958
Total	240,411	432,239	338,920	358,272	388,809	(5,385)	490,469	7,268	497,737	(7,200)	490,537

Maui Electric Company, Ltd.
Account 9302 - Miscellaneous General Expenses
Research & Development Expense
EPRI Dues
Test Year 2007 (\$ 000)

	2007 Test Year <u>Estimate</u>	June <u>Adjustment</u>	Revised Test Year <u>Estimate</u>	
2007 EPRI Dues - HECO Consolidated	2,085,457		2,085,457	MECO-WP-906
MECO's Allocation Percentage	<u>11.000%</u>		<u>10.655%</u>	
MECO's Allocable Portion of 2007 EPRI Dues	<u>229,400</u>	<u>(7,200)</u>	<u>222,200</u>	

Note: The 2007 test year estimate above was calculated based on a rounded 11.000% allocation percentage. The more precise percentage for MECO is 10.655% per Docket No. 97-0346, amended D&O No. 16922, which would result in an allocation of \$222,200, a difference of \$7,200. The 2007 test year estimate will be corrected at rebuttal, if not earlier.

BACKGROUND AND SUMMARY
PENSION AND OPEB TRACKING MECHANISM

Pension Tracking Mechanism

In HELCO's 2005 rate case, Docket No. 2005-0315, HELCO and the Consumer Advocate reached agreement on a pension tracking mechanism proposed by the Consumer Advocate. In that proceeding, Mr. Steven Carver presented the Consumer Advocate's proposed pension tracking mechanism in CA-T-3. Under the tracking mechanism, an amount for pension costs is identified and incorporated into rates in each rate case. Once new rates are effective, and until rates are changed in a subsequent rate case, the amount of pension cost in rates is separately tracked. The mechanism requires that HELCO make fund contributions at the actuarially calculated net periodic pension cost ("NPPC") as determined under generally accepted accounting principles subject to certain exceptions.¹ (Currently SFAS No. 87, "Employers' Accounting for Pensions", is the accounting guidance that addresses the calculation of the NPPC.) At each rate case, the cumulative amount of pension cost in rates since the last rate change is compared to the cumulative amount of contributions to the pension fund. This net amount is an addition (if the cumulative fund contributions exceed the cumulative amount in rates) or deduction (if the cumulative amount in rates exceeds the cumulative fund contributions) in the calculation of rate base. In the HELCO mechanism, the test year ending pension balance in rate base is amortized over five years beginning when new rates are effective.

¹ The pension funding is further restricted to the ERISA minimum and tax deductible maximum. When the NPPC is negative, there is no funding requirement.

The pension tracking mechanism also allows HELCO to reverse the pension AOCI charge to equity and create a regulatory asset for financial statement purposes. The pension cost in rates is the test year NPPC plus or minus the amortization of the ending pension amount in rate base. If cumulative contributions have exceeded the cumulative pension amount in rates (an addition to rate base), the amortization would be an addition to the NPPC (i.e., future rates will be relatively higher). If the cumulative pension amount in rates have exceeded cumulative contributions (a deduction in rate base), the amortization would be a deduction from the NPPC (i.e., future rates will be relatively lower). *HELCO proposed certain modifications to the tracking mechanism proposed by the Consumer Advocate to allow HELCO greater flexibility for funding more than the NPPC for certain specified reasons. In addition, HELCO proposed language to clarify how the tracking mechanism will be implemented.*

In the HELCO rate case, the Consumer Advocate indicated that it would propose the tracking mechanism for HELCO's affiliates. The Company agreed and therefore now proposes the same pension tracking mechanism for MECO as implemented at HELCO pursuant to HELCO's Interim Decision and Order No. 23342 dated April 4, 2007. Please see Attachment 3 for discussion of the proposed tracking mechanism. Please see Attachment 5 for the updated exhibit MECO-928, which reflects the proposed pension tracking mechanism for MECO.

The benefits of the pension tracking mechanism are: 1) it specifies agreement on the ratemaking treatment of pension costs and pension fund contributions thus reducing

disputable items in rate cases, 2) it demonstrates rate support for the Company's pension plan, and 3) it results in levelizing pension costs reported on the financial statements. The Company notes that the pension tracking mechanism does not apply retroactively and does not impact prior pension costs. The pension tracking mechanism applies prospectively from the date that the Commission issues an order which: (1) approves the adoption of the pension tracking mechanism and (2) establishes new rates that explicitly incorporate the provisions of the mechanism in the new rates. Until the pension tracking mechanism is adopted, the ratemaking treatment of pensions is based on the past practices of this Commission which treat pension expense in generally the same manner as other expenses which do not have special ratemaking treatment. In contrast, for example, fuel, Integrated Resource Planning, and Demand Side Management expenses have special ratemaking treatment based on specific Commission orders. The consistent ratemaking treatment of pension costs in the past and the prohibition against retroactive ratemaking of pension costs were discussed in MECO's parent company, Hawaiian Electric Company, Inc.'s (HECO's) 2005 test year rate case (Docket No.04-0113) Opening Brief dated December 2, 2005 (pages 106 to 110) and Reply Brief of HECO dated December 19, 2005 (pages 5 to 6 and 14 to 16). Pension costs will not have special ratemaking treatment until the pension tracking mechanism is adopted by the Commission.

Postretirement Benefits Other Than Pensions ("OPEB") Tracking Mechanism

In Docket No. 2005-0315, HELCO proposed a tracking mechanism for OPEB, which mirrored the pension tracking mechanism proposed by the Consumer Advocate. The parties also agreed that a similar OPEB tracking mechanism would be proposed for HELCO's affiliates in their next rate cases.

The OPEB tracking mechanism proposed by MECO is identical to the OPEB tracking mechanism agreed to by the Consumer Advocate and implemented at HELCO pursuant to HELCO's Interim Decision and Order No. 23342 dated April 4, 2007. The adoption of the OPEB tracking mechanism would not impact revenue requirements in this docket. However, the OPEB tracking mechanism specifies ratemaking treatment which allows financial statement treatment of benefit costs to be smoothed based on the amount of net periodic benefit costs ("NPBC") established in this rate case and addresses potential situations in the future where contributions to OPEB trusts are not equal to the NPBC recognized. Adoption of the OPEB tracking mechanism would also allow the Company to reverse the OPEB AOCI charge to equity and create a regulatory asset for financial statement purposes. The proposed OPEB tracking mechanism and comments further explaining the mechanism are provided in Attachment 4. The updated exhibit MECO-929 is included as Attachment 6 and reflects the updated OPEB costs. The proposed OPEB tracking mechanism does not impact the revenue requirements.

PROPOSED PENSION TRACKING MECHANISM

Purpose: The proposed pension tracking mechanism is designed to achieve the following objectives:

- A. Ensure that the pension costs recovered through rates are based on the FAS87 NPPC, as reported for financial reporting purposes;
- B. Ensure that all amounts contributed to the pension trust funds (subject to the exceptions in Item 3 below) are in an amount equal to actual NPPC and are recoverable through rates; and
- C. Clarify the future treatment of any charges that would otherwise be recorded to equity (e.g., increases/decreases to other comprehensive income) as required by FAS87, FAS158 or any other FASB statement or procedure relative to the recognition of pension costs and/or liabilities.

Procedure:

1. The amount of FAS87 NPPC included in rates shall be equal to the amount recognized for financial reporting purposes.
2. Except when limited by the ERISA minimum contributions requirements or the maximum contribution imposed by the IRC, or the contribution exceeds the NPPC for a reason provided in Item 3, the annual contribution to the pension trust fund will be equal to the amount of FAS87 NPPC.
3. The utility will be allowed to recover through rates the amount of any contributions to the pension trust in excess of the FAS87 NPPC that were made for the following reasons¹:
 - the minimum required contribution is greater than the FAS 87 NPPC,
 - the increased contribution was made to avoid a significant increase in Pension Benefit Guaranty Corporation (PBGC) variable premiums,
 - the increased contribution was made to avoid a charge to other comprehensive income, or
 - the increased contribution was made to avoid: (i) higher minimum

¹ The Company or the Consumer Advocate (jointly, the "Parties") may initiate discussions with the Parties and the Hawaii Public Utilities Commission to modify these provisions between rate cases (with Commission approval) if there are future changes in accounting standards, federal tax law or federal tax regulations that materially impact the costs otherwise recoverable through this tracking mechanism.

contribution requirements under the Pension Protection Act,² or (ii) other adverse funding requirements under federal pension regulations (provided funding does not exceed 100% of the PBO as a result). The recoverability of any discretionary contributions (as described under this bullet item) shall be subject to review in the Company's next rate case.

Any such "excess" contributions shall be recorded in a separate regulatory asset account, which will be included in rate base.

4. A regulatory asset (or liability) will be established on the Company's books to track the difference between the level of actual FAS87 NPPC during the rate effective period and the level of FAS87 NPPC included in rates during that same period.
 - The unamortized cumulative net ratepayer benefit of approximately \$1.2 million, as of December 2007, shall be included in rate base and amortized over a five year period.
 - If the actual FAS 87-determined NPPC recorded during a given rate-effective period is greater than the FAS87 NPPC included in rates during the immediately preceding rate case, the Company will establish a separate regulatory asset account to accumulate such difference, but only to the extent that such amount is not used to reduce a regulatory liability recorded pursuant to Item 5.
 - If the actual FAS87-determined NPPC recorded during the rate-effective period, adjusted for any amount of such expense used to reduce a regulatory liability maintained pursuant to Item 5, is less than the expense built into rates, the Company will establish a separate regulatory liability account to accumulate such difference.
 - If the actual FAS 87 NPPC becomes negative, the regulatory liability will be increased by the difference between the level of FAS87 NPPC included in rates for that period and "zero" (i.e., \$0).
 - Since this is considered to be a cash item under the tracking mechanism, the regulatory asset or liability will be included in rate base and amortized over a five (5) year period at the time of the next following rate case.

² Transitional relief applies under the Pension Protection Act if the plan's target liability funded level meets the prescribed phase-in percentages for 2008 through 2011. The Parties recognize that such transitional relief or related requirements may be subject to change or revision in future years.

5. If the FAS87 NPPC becomes negative, the Company will set up a regulatory liability to offset the prepaid pension asset created by the negative amount. This regulatory liability will increase by the amount of any negative NPPC, or decrease by the amount of positive NPPC, in each subsequent year. Positive NPPC in each subsequent year will be used to reduce the regulatory liability before being used to establish a regulatory asset pursuant to Item 4.
 - If NPPC is negative at the time of the next rate case, the amount included in rates will be "zero" (i.e., \$0).
 - if NPPC is positive at the time of the next rate case, the positive expense will not be included in rates and the Company will not be required to make contributions to the trust until any regulatory liability created under this Item 5 has been reduced to "zero" (i.e., \$0).
 - Since this regulatory liability is considered to be a non-cash item under the tracking mechanism, it is not subjected to amortization and should not be recognized in determining rate base in future years.
6. The objective of this tracking mechanism is that, over time, the Company will recover through rates FAS87-based NPPC, including the amortization of unrecognized amounts as set forth above.
 - The Company will establish a separate regulatory asset/liability account to offset any charge, or credit, that would otherwise be recorded against equity (e.g., decreases to other comprehensive income) caused by applying the provisions of FAS87, FAS158 or any other FASB statement or procedure that requires accounting adjustments due to the funded status or other attributes of the Company's pension plan.
 - This regulatory asset/liability will not be amortized into rates or included in rate base, because any such charges are expected to be recovered in rates through the valuation of FAS87 NPPC in future accounting periods, which will be subject to the true-up process described herein. In other words, this regulatory asset/liability will automatically be reversed through the mechanics of FAS87 and, pursuant to other provisions of this proposal, all FAS87-determined NPPC will over time ultimately be recovered from ratepayers.
 - The regulatory asset/liability will increase or decrease each year by the same amount that the equity charge increases or decreases.

7. Recognizing that rate cases do not typically occur on a five-year cycle, the Company will continue to record any amortizations allowed herein throughout the effective term that the approved rates remain in effect, regardless of whether the term is longer or shorter than five years.
 - The amortization established at the adoption of the tracking mechanism shall continue over a five year period. This amortization will not change over the five year period and will be included in costs in any rate case in the five year period. Any unamortized balance shall be included in rate base in any rate case in the five year period.
 - The Company will be required to establish a separate regulatory asset or liability to accumulate any excess negative amortization or amortization (separate from the initial pension asset discussed in the preceding bullet), which shall be included in rate base and amortized over a five year period in the next following rate case.
8. Any prepaid pension asset or accrued liability recorded pursuant to the terms and conditions of FAS87 (as opposed to regulatory assets arising from the provisions of this proposed tracking mechanism) will not be included in Rate Base in any future rate case, except for the unamortized portion of the \$1.2 million of cumulative net ratepayer benefits previously identified. The regulatory assets/liabilities discussed herein specifically identify all rate base includable amounts for pension differences.

Comments & Clarifications
Proposed Pension Tracking Mechanism

1. The proposed tracking mechanism refers to "NPPC" in explaining how the mechanism operates, which is intended to represent actuarially determined total FAS87 net periodic costs.
2. "NPPC" intentionally encompasses total actuarially determined amounts without regard to any expense allocation or capitalization accounting the Company may recognize on its books and records.
3. Unless limited by IRC maximum contributions or ERISA minimum contributions, the proposed tracking mechanism requires the Company to make annual fund contributions in an amount equal to the total FAS87 net periodic costs determined for each calendar year.
4. The proposed tracking mechanism requires the Company to establish a regulatory asset or liability for the difference between the total FAS87 net periodic costs determined for a given year and the amount of such costs included in then-existing utility rates.
5. The provisions of FAS87 may require a company to record a prepaid pension asset in the normal course of business, without regard to any regulatory agreements or orders adopting a tracking mechanism:
 - a. The proposed tracking mechanism would exclude from rate base for ratemaking purposes any future prepaid pension asset resulting from an actuarial study that resulted in "negative" net periodic costs.
 - b. The proposed tracking mechanism would exclude, or not recognize, any "negative" net periodic costs for ratemaking purposes, instead setting the amount equal to "zero" (i.e., \$0).
6. If the utility is allocated a portion of the FAS87 net periodic costs from an affiliated entity in the normal course of business and the tracking mechanism is approved by the Commission, the Company would be required to commit to funding 100% of the FAS87 net periodic costs for both MECO and the affiliate or to maintain segregated pension trust fund accounting for each entity in order to avoid any funding conflicts or issues that might arise in the future.
7. Any commitment by MECO to fund 100% of its FAS87 net periodic costs (as limited under item 3) will not be contingent on implementing a substantially similar tracking mechanism for each MECO affiliate.

8. When an order is issued by the Commission which: 1) adopts the tracking mechanism and 2) establishes new rates that explicitly incorporate the provisions of the mechanism in the new rates, MECO will fund the NPPC for the calendar year of the date of the order based on a monthly proration of the annual NPPC.

PROPOSED OPEB TRACKING MECHANISM

Purpose: The proposed OPEB tracking mechanism is designed to achieve the following objectives:

- A. Ensure that the OPEB costs recovered through rates are based on the FAS106 NPBC, as reported for financial reporting purposes;
- B. Ensure that all amounts contributed to the OPEB trust funds (subject to the exception in Item 3 below) are in an amount equal to actual NPBC and are recoverable through rates; and
- C. Clarify the future treatment of any charges that would otherwise be recorded to equity (e.g., increases/decreases to other comprehensive income) as required by FAS106, FAS 158 or any other FASB statement or procedure relative to the recognition of OPEB costs and/or liabilities.

Procedure:

1. The amount of FAS 106 NPBC included in rates shall be equal to the amount recognized for financial reporting purposes.
2. Except when limited by material, adverse consequences imposed by federal regulations, the annual contribution to the OPEB trust funds will be equal to the amount of FAS106 NPBC. The utility will use tax advantaged funding vehicles, whenever possible, as specified in D&O 13659, dated November 29, 1994, in Dockets 7243 and 7233 (Consolidated).
3. The utility will be allowed to recover through rates the amount of any contributions to the OPEB trusts in excess of the FAS106 NPBC that were made for the following reason¹:
 - the increased contribution was made to avoid a charge to other comprehensive income.

Any such "excess" contributions shall be recorded in a separate regulatory asset account, which will be included in rate base.

4. A regulatory asset (or liability) will be established on the Company's books to track the difference between the level of actual FAS106 NPBC during the rate effective period and the level of FAS106 NPBC included in rates during that same period.

¹ The Company or the Consumer Advocate (jointly, the "Parties") may initiate discussions with the Parties and the Hawaii Public Utilities Commission to modify these provisions between rate cases (with Commission approval) if there are future changes in accounting standards, federal tax law or federal tax regulations that materially impact the costs otherwise recoverable through this tracking mechanism.

- If the actual FAS 106-determined NPBC recorded during a given rate-effective period is greater than the FAS106 NPBC included in rates during the immediately preceding rate case, the Company will establish a separate regulatory asset account to accumulate such difference, but only to the extent that such amount is not used to reduce a regulatory liability recorded pursuant to Item 5.
 - If the actual FAS106-determined NPBC recorded during the rate-effective period, adjusted for any amount of such expense used to reduce a regulatory liability maintained pursuant to Item 5, is less than the expense built into rates, the Company will establish a separate regulatory liability account to accumulate such difference.
 - If the actual FAS 106 NPBC becomes negative, the regulatory liability will be increased by the difference between the level of FAS106 NPBC included in rates for that period and "zero" (i.e., \$0).
 - Since this is considered to be a cash item under the tracking mechanism, the regulatory asset or liability will be included in rate base and amortized over a five (5) year period at the time of the next following rate case.
5. If the FAS106 NPBC becomes negative, the Company will set up a regulatory liability to offset the OPEB asset created by the negative amount. This regulatory liability will increase by the amount of any negative NPBC, or decrease by the amount of positive NPBC, in each subsequent year. Positive NPBC in each subsequent year will be used to reduce the regulatory liability before being used to establish a regulatory asset pursuant to Item 4.
- If NPBC is negative at the time of the next rate case, the amount included in rates will be "zero" (i.e., \$0).
 - If NPBC is positive at the time of the next rate case, the positive expense will not be included in rates and the Company will not be required to make contributions to the trust until any regulatory liability created under this Item 5 has been reduced to "zero" (i.e., \$0).
 - Since this regulatory liability is considered to be a non-cash item under the tracking mechanism, it is not subjected to amortization and should not be recognized in determining rate base in future years.
6. The objective of this tracking mechanism is that, over time, the Company will recover through rates FAS106-based NPBC, including the amortization of unrecognized amounts as set forth above.

- The Company will establish a separate regulatory asset/liability account to offset any charge, or credit, that would otherwise be recorded against equity (e.g., increases/decreases to other comprehensive income) caused by applying the provisions of FAS106, FAS158 or any other FASB statement or procedure that requires accounting adjustments due to the funded status or other attributes of the Company's OPEB plans.
 - This regulatory asset/liability will not be amortized into rates or included in rate base, because any such charges are expected to be recovered in rates through the valuation of FAS106 NPBC in future accounting periods, which will be subject to the true-up process described herein. In other words, this regulatory asset/liability will automatically be reversed through the mechanics of FAS106 and, pursuant to other provisions of this proposal, all FAS106-determined NPBC will over time ultimately be recovered from ratepayers.
 - The regulatory asset/liability will increase or decrease each year by the same amount that the equity charge increases or decreases.
7. Recognizing that rate cases do not typically occur on a five-year cycle, the Company will continue to record any amortizations allowed herein throughout the effective term that the approved rates remain in effect, regardless whether the term is longer or shorter than five years.
- If the rate effective period is less than five years, the Company will be allowed to recover any unamortized and unrecovered amounts in the next following rate case over a five year period and any unamortized balance shall be included in rate base.
 - If the rate effective period is greater than five years, the Company will be required to establish a separate regulatory asset or liability to accumulate any excess amortization, which shall be included in rate base and amortized over a five year period in the next following rate case.
8. Any OPEB asset or accrued liability recorded pursuant to the terms and conditions of FAS106 (as opposed to regulatory assets arising from the provisions of this proposed tracking mechanism) will not be included in Rate Base in any future rate case. The regulatory assets/liabilities discussed herein specifically identify all rate base includable amounts for OPEB differences.

Comments & Clarifications
Regarding the Proposed OPEB Tracking Mechanism

1. The proposed tracking mechanism refers to "NPBC" in explaining how the mechanism operates, which is intended to represent actuarially determined total FAS106 net periodic costs.
2. "NPBC" intentionally encompasses total actuarially determined amounts without regard to any expense allocation or capitalization accounting the Company may recognize on its books and records.
3. Unless limited by adverse consequences under federal regulations, the proposed tracking mechanism requires the Company to make annual fund contributions in an amount equal to the total FAS106 net periodic costs determined for each calendar year.
4. The proposed tracking mechanism requires the Company to establish a regulatory asset or liability for the difference between the total FAS106 net periodic costs determined for a given year and the amount of such costs included in then-existing utility rates.
5. The provisions of FAS106 may require a company to record an OPEB asset in the normal course of business, without regard to any regulatory agreements or orders adopting a tracking mechanism:
 - a. The proposed tracking mechanism would exclude from rate base for ratemaking purposes any future OPEB asset resulting from an actuarial study that resulted in "negative" net periodic costs.
 - b. The proposed tracking mechanism would exclude, or not recognize, any "negative" net periodic costs for ratemaking purposes, instead setting the amount equal to "zero" (i.e., \$0).
6. If the utility is allocated a portion of the FAS106 net periodic costs from an affiliated entity in the normal course of business and the tracking mechanism is approved by the Commission, the Company would be required to commit to funding 100% of the FAS106 net periodic costs for both MECO and the affiliate or to maintain segregated OPEB trust fund accounting for each entity in order to avoid any funding conflicts or issues that might arise in the future.
7. Any commitment by MECO to fund 100% of its FAS106 net periodic costs (as limited under item 3) will not be contingent on implementing a substantially similar tracking mechanism for each MECO affiliate.

Maui Electric Company, Limited
Pension Balances
1987-2007
(\$ in thousands)

Year	Beginning Pension Balance A Prior Year Col. D	Contributions to Trust B	NPPC Accrual C	Ending Pension Balance D A+B-C
1987	\$ -	\$ 1,255	\$ 1,375	\$ (120)
1988	(120)	1,287	1,167	-
1989	-	1,272	1,173	99
1990	99	1,686	1,785	-
1991	-	1,644	1,644	-
1992	-	1,863	1,864	(1)
1993	(1)	1,798	1,802	(5)
1994	(5)	2,138	2,140	(7)
1995	(7)	1,441	1,461	(27)
1996	(27)	1,970	2,009	(66)
1997	(66)	1,755	1,765	(76)
1998	(76)	95	952	(933)
1999	(933)	0	591	(1,524)
2000	(1,524)	0	(2,266)	742
2001	742	0	(2,279)	3,021
2002	3,021	0	(1,496)	4,517
2003	4,517	3,223	2,127	5,613
2004	5,613	4,581	1,016	9,178
2005	9,178	1,000	1,745	8,433
2006	8,433	0	3,210	5,223 [1]
2007 (Est.)	5,223	0 ¹	4,013 ¹	1,209 [2]
Total		<u>\$ 27,008</u>	<u>\$ 25,798</u>	

Rate Base Calculation:

Recorded Balance, 12/31/06	\$ 5,223 [1]
Estimated Balance, 12/31/07	<u>\$ 1,209 [2]</u>

Average 2007 Balance \$ 3,216 $((1)+(2))/2$

Amortization of Pension Asset:

Estimated Balance at 12/31/07	\$ 1,209 [2]
5-Year Amortization Period	<u>divide by 5</u>

Amortization for Test Year \$ 242

Recorded balances, except as noted in footnote 1 below.

¹ Contribution and NPPC accrual amounts per instructions from HEI

Maui Electric Company, Ltd.

Pension Balances

(\$ thousands)

	<u>12/31/2006</u>	<u>2007 Activity</u>	<u>12/31/2007</u>	
Projected Benefit Obligation	\$ 110,794	\$ 6,868	\$ 117,662	[A]
Fair Value of Plan Assets	96,484	2,784	99,268	[B]
Overfunded (Underfunded)	(14,310)	(4,084)	(18,394)	[C] = [B] - [A]
Less: Pension Balance	5,223	(4,014)	1,209	[D]
AOCI Charge (Pre-Tax)	(19,533)	(70)	(19,603)	[E] = [C] - [D]
AOCI Tax Effect	7,600	27	7,628	[F] = - [E] * tax rate
AOCI Charge	<u>\$ (11,933)</u>	<u>\$ (43)</u>	<u>\$ (11,975)</u>	[G] = [E] + [F]

Reconciliation to Rate Base:

Pension AOCI Charge (Pre-Tax)	\$ 19,533	\$ 19,603	[E]
Pension Liability	(14,310)	(18,394)	[C]
Rate Base (excluding Deferred Tax impact)	5,223	1,209	[H] = [D] = [E] + [C]
Deferred Tax	(2,032)	(470)	[I] = - [H] * tax rate
Net Rate Base (including Deferred Tax impact)	<u>3,191</u>	<u>739</u>	[J] = [H] + [I]

Composite Effective Income Tax Rate 38.91%

Sources:

[A] & [B] 12/31/06 recorded amounts. 2007 activity and 12/31/07 estimates per Watson Wyatt.

[D] See MECO-928 p. 1 of 3

Maui Electric Company, Ltd.
Pension Balances - Rate Base Allocation by Division
(\$ thousands)

	<u>Maui</u>	<u>Lanai</u>	<u>Molokai</u>	<u>MECO Consolidated</u>	
<u>12/31/06:</u>					
Allocation basis:					
Employee Count	288	8	14	310	[A]
Allocation percent	92.9%	2.6%	4.5%	100.0%	
Amounts to be allocated:					
Pension AOCI Charge (Pre-Tax)	18,147	504	882	19,533	[B]
Pension Liability	<u>(13,294)</u>	<u>(369)</u>	<u>(646)</u>	<u>(14,310)</u>	[B]
Rate Base (excluding Deferred Tax impact)	<u>4,853</u>	<u>135</u>	<u>236</u>	<u>5,223</u>	[B]

<u>12/31/07:</u>					
Allocation basis:					
Employee Count	312	9	14	335	[A]
Allocation percent	93.1%	2.7%	4.2%	100.0%	
Amounts to be allocated:					
Pension AOCI Charge (Pre-Tax)	18,257	527	819	19,603	[B]
Pension Liability	<u>(17,131)</u>	<u>(494)</u>	<u>(769)</u>	<u>(18,394)</u>	[B]
Rate Base (excluding Deferred Tax impact)	<u>1,127</u>	<u>33</u>	<u>50</u>	<u>1,209</u>	[B]

Sources:

[A] MECO-1101, page 2 of 2

[B] MECO-928 page 2 of 3

Maui Electric Company, Limited
OPEB Balances
1993-2007
(\$ in thousands)

Year	Beginning OPEB Liability Balance A Prior Year Col. D	Contributions to Trust B	FAS 106 Accrual C	Ending OPEB Liability Balance D A+B-C	Ending SFAS 106 Regulatory Asset E m	Ending OPEB Balance F D+E
1993	\$ -	\$ 451	\$ 2,684	\$ (2,233)	\$ 2,233	\$ -
1994	(2,233)	786	2,452	(3,899)	3,899	-
1995	(3,899)	2,453	2,362	(3,808)	3,808	-
1996	(3,808)	2,732	2,508	(3,584)	3,584	-
1997	(3,584)	2,649	2,425	(3,360)	3,360	-
1998	(3,360)	1,751	1,527	(3,136)	3,136	-
1999	(3,136)	806	582	(2,912)	2,912	-
2000	(2,912)	451	227	(2,688)	2,688	-
2001	(2,688)	491	267	(2,464)	2,464	-
2002	(2,464)	776	552	(2,240)	2,240	-
2003	(2,240)	1,358	1,134	(2,016)	2,016	-
2004	(2,016)	1,217	993	(1,792)	1,792	-
2005	(1,792)	1,383	1,159	(1,568)	1,568	-
2006	(1,568)	1,199	975	(1,344)	1,344	- [1]
2007 (Est.)	(1,344)	1,151	927 ¹	(1,120)	1,120	- [2]
Total		<u>\$ 19,654</u>	<u>\$ 20,774</u>			

Rate Base Calculation:

Recorded Balance, 12/31/06	\$ -	[1]
Estimated Balance, 12/31/07	<u>\$ -</u>	[2]

Average 2007 Balance \$ - $((1)+[2])/2$

Recorded balances, except as noted in footnote 1 below.

¹ Contribution and FAS 106 accrual amounts per instructions from HEI

Maui Electric Company, Ltd.
OPEB Balances
\$ thousands

	12/31/2006	2007 Activity	12/31/2007	
Accumulated Postretirement Benefit Obligati	\$ 24,311	\$ 197	\$ 24,508	[A]
Fair Value of Plan Assets	\$ 18,955	\$ 1,590	\$ 20,545	[B]
Overfunded (Underfunded)	\$ (5,356)	\$ 1,393	\$ (3,963)	[C] = [B] - [A]
Less: OPEB Liability (SFAS 106)	\$ (1,344)	\$ 224	\$ (1,120)	[D]
AOCI Charge (Pre-Tax)	\$ (4,012)	\$ 1,169	\$ (2,843)	[E] = [C] - [D]
AOCI Tax Effect	\$ 1,561	\$ (455)	\$ 1,106	[F] = - [E] * tax rate
AOCI Charge	\$ (2,451)	\$ 714	\$ (1,737)	[G] = [E] + [F]
SFAS 106 OPEB Regulatory Asset	\$ 1,344		\$ 1,120	[H]
SFAS 158 OPEB AOCI Charge	4,012		2,843	[I]
OPEB Liability	(5,356)		(3,963)	[C]
Rate Base (excluding Deferred Tax impact)	-		-	[J] = [F] + [E] + [C]
Deferred Tax	-		-	[K] = - [J] * tax rate
Net Rate Base (including Deferred Tax impact)	-		-	[L] = [J] + [K]

Composite Effective Income Tax Rate 38.91%

Sources:

[A] & [B] 12/31/06 recorded amounts. 2007 activity and 12/31/07 estimates per Watson Wyatt.

[D] See MECO-929 pages 1 of 5 and 3 of 5

[F] See MECO-929 p. 3 of 5

Maui Electric Company, Limited
Unamortized SFAS 106 OPEB Regulatory Asset
(\$ in thousands)

RECORDED BALANCE - 12/31/05	1,568
Amortization - 2006	<u>224</u>
RECORDED BALANCE - 12/31/06	1,344
Amortization - 2007	<u>224</u>
ESTIMATED BALANCE - 12/31/07	1,120
AVERAGE 2007 BALANCE	<u><u>1,232</u></u>

NOTE: Totals may not add exactly due to rounding.

Maui Electric Company, Limited
OPEB Liability (SFAS 106)
(\$ in thousands)

RECORDED BALANCE as of 12/31/05	1,568
Add: FAS 106 Cost	1,072
Less: Executive Life Expense	(97)
Less: Contributions	<u>(1,199)</u>
RECORDED BALANCE - 12/31/06	1,344
Add: FAS 106 Cost	1,021
Less: Executive Life Expense	(94)
Less: Contributions	<u>(1,151)</u>
ESTIMATED BALANCE - 12/31/07	1,120
AVERAGE 2007 BALANCE	<u><u>1,232</u></u>

NOTE: Totals may not add exactly due to rounding.

Maui Electric Company, Ltd.
OPEB Balances - Rate Base Allocation by Division
(\$ thousands)

	<u>Maui</u>	<u>Lanai</u>	<u>Molokai</u>	<u>MECO Consolidated</u>	
<u>12/31/06:</u>					
Allocation basis:					
Employee Count	312	9	14	335	[A]
Allocation percent	93.1%	2.7%	4.2%	100.0%	
Amounts to be allocated:					
SFAS 106 OPEB Regulatory Asset	1,252	36	56	1,344	[B]
SFAS 158 OPEB AOCI Charge	3,736	108	168	4,012	[B]
OPEB Liability	<u>(4,988)</u>	<u>(144)</u>	<u>(224)</u>	<u>(5,356)</u>	[B]
Rate Base (excluding Deferred Tax impact)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	[B]

<u>12/31/07:</u>					
Allocation basis:					
Employee Count	312	9	14	335	[A]
Allocation percent	93.1%	2.7%	4.2%	100.0%	
Amounts to be allocated:					
SFAS 106 OPEB Regulatory Asset	1,043	30	47	1,120	[B]
SFAS 158 OPEB AOCI Charge	2,648	76	119	2,843	[B]
OPEB Liability	<u>(3,691)</u>	<u>(106)</u>	<u>(166)</u>	<u>(3,963)</u>	[B]
Rate Base (excluding Deferred Tax impact)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	[B]

Sources:

[A] MECO-1101, page 2 of 2

[B] MECO-929 page 2 of 5